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EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

No.30,908

Monday July 31 1989

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**EAST GERMANY**
**A slow return from the cold**
Page 14

## World News

### Britain and China agree to resume talks on HK

Britain and China agreed to resume talks on the scheduled handover of Hong Kong to China in 1997. British sources said the decision taken at a meeting between UK and Chinese foreign ministers in Paris was the first high-level contact between the governments since China crushed pro-democracy demonstrations in June. Page 2. Chinese tourism, Page 16

**Polish price rise**
The Polish Government is to lift meat rationing and let prices double, following the election of Mieczyslaw Rakowski, outgoing Prime Minister, as Communist Party leader. Page 2

**Rodriguez dies**
Ramon Areces Rodriguez, founder of Spain's biggest privately-owned company, El Corte Ingles, and reputedly the country's wealthiest man, died aged 84.

**Sri Lanka crisis**
The Indian and Sri Lankan foreign ministers will meet again to try to defuse the crisis in Sri Lanka after violence in which more than 150 people died. Page 16

**UK dock split**
Britain's dockers appeared irrevocably split after men at Hull, a major northern port, voted to return to work despite a union strike. Page 6

**Italian arms inquiry**
Nine former employees of an Italian defence company are under formal suspicion of illegally collaborating in a missile project involving Egypt, Argentina and Iraq. Page 2

**Mujahideen rift**
The growing rift between leaders of the Afghan resistance has worsened with party leaders calling for the overthrow of their rivals. Page 4

**Andreotti wins vote**
Giulio Andreotti, Italy's Prime Minister, won a final vote of confidence for his five-party Government and appealed to Italians to fight organised crime. Page 2

**Rafsanjani election**
The election in Iran of Hojatoleslam Rafsanjani as president has been overshadowed by reports of a low turnout. Page 4

**Israeli criticism**
The Israeli ambassador to West Germany has sharply criticised the Bonn Government's decision to improve contacts with the PLO. Page 2

**Soviet German plan**
Helmut Kohl, West German Chancellor, has warmly welcomed a Soviet proposal to establish a special German-Soviet trade zone. Page 2

**Lima crackdown**
The Peruvian army has stepped up its action against guerrillas in the country's main coca-growing area, killing 110 rebels. Page 3

**Valdez in dock**
Four months and 2,500 miles after it caused the worst US oil spill ever, the tanker Exxon Valdez finally entered San Diego Harbour for repairs.

**Bangladesh storm**
Two days of torrential rains and strong winds in southern Bangladesh have killed more than 100 people.

**Typhoon hits Korea**
Seventeen people were killed by landslides, collapsing walls or floods when Typhoon Judy lashed southern South Korea.

**US hostage threat**
A pro-Iranian group said it would kill a US hostage, Lieutenant-Colonel William Higgins, unless Israel released a Lebanese Moslem cleric seized on Friday.

**US firefighting**
Ten thousand firefighters aided by gangs of prisoners fought brush fires in four western US states that have driven 2,500 people from their homes.

## Business Summary

### BAT attacks Hoylake bid to challenge regulators

BAT INDUSTRIES, the target in Britain's largest-ever takeover battle, hit out at a legal move by Hoylake Investments, the hostile bidder, to challenge the right of the US insurance regulators to have a say in its £13bn ($21.5bn) offer for the tobacco-based conglomerate.

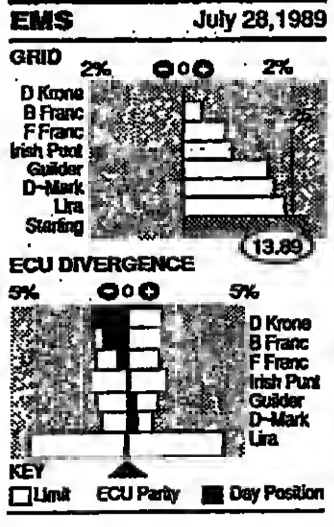
Hoylake, the bid vehicle for a consortium led by Sir James Goldsmith, the Anglo-French financier, initiated legal action in the US late on Friday, claiming that the application of certain state insurance holding company statutes to its bid is unconstitutional. Page 16

DEUTSCHE BANK, West German bank, is ready to sell a part of its 28 per cent stake in Daimler-Benz, big West German cars and aerospace group, to Matra, French defence group, according to Der Spiegel magazine. The aim of such a sale would be to smooth Daimler's imminent takeover of MBB, German aerospace company. Page 19

ROBERT Maxwell, publisher, has written to shareholders in De La Rue, bank note and securities printer, arguing that this week's meeting to approve the sale of the group's Crosfield business should be delayed. Page 21

EUROPEAN Monetary System: The D-Mark lost ground last week against the French franc as the latter gained support after a smaller than expected June trade deficit. However, it improved against a weak dollar as funds moved out of the US unit on lower interest rates. The West German unit was also a little stronger against the Spanish peseta but is still below its Pta65.0 central rate at Pta62.74.

**EMS** July 28,1989




*The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira and Spanish peseta) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), a basket of European currencies.*

EUROPEAN Community's renegotiation of its Lomé aid convention with 66 developing countries is back on the rails, after Italy and Greece dropped demands for protection against some Third World farm imports. Page 2

EGYPT and the International Monetary Fund are near agreement on a standby accord, opening the way for a rescheduling of some $5bn of official debt. Page 4

BERLINER Handels-und Frankfurter Bank, West German merchant bank, reported a drop in partial operating profits of almost 3.9 per cent to DM74m ($40m) in the first six months of this year against the corresponding period in 1988. Page 19

NORTH AMERICAN Gas Investment Trust, which aims to exploit an expected rise in the price of natural gas in the US, is coming to the main market via an offer for subscription to raise £35m. Page 21

SCOR and UAP Reassurance, France's two main reinsurance companies, are to merge, creating a national reinsurer with joint premium income of about FFr9bn ($1.4bn). Page 19

SOCANAV, led by Mr Michel Gaucher, Montreal transport entrepreneur, and the Caisse de Depôt, Quebec Pension Plan manager, claim to hold 52 per cent control of Steinberg, Montreal-based food distribution and property group. Page 19

SHIELD, USM-quoted property company rated in 1988 as one of the top performers over a five-year period for earnings per share growth, reported a 96 per cent slump in pre-tax profits for the year to end-March. Page 21

# Cautious optimism heralds start of Cambodia talks

By George Graham in Paris

THE international conference on Cambodia opened yesterday in Paris in an atmosphere of cautious optimism that a settlement to the country's 19-year-old conflict might be in sight.

Differences between the rival parties remained clear as Prince Norodom Sihanouk, leader of the Cambodian resistance coalition, and Mr Hun Sen, Prime Minister of the Phnom Penh Government, traded rebukes in yesterday's opening session.

The meeting is being attended by 16 Foreign Ministers, including those from all five permanent members of the United Nations Security Council.

Among the main disagreements is the question of whether it will be possible for the conference to settle some of the international aspects of Cambodia's problems - including the withdrawal of Vietnamese troops and an ending of military aid to the resistance forces - without a comprehensive agreement solving the internal questions of Cambodia's political future.

Mr Hun Sen and Mr Eduard Shevardnadze, the Soviet Foreign Minister, said yesterday that they favoured pressing ahead with the international questions, in the hope that success would then provide an impetus for internal agreement. But Western powers stressed their belief that a partial settlement would merely open the way to all-out civil war.

However, Foreign Ministers at the conference appeared convinced that an opportunity had arisen for hammering out a peace settlement for Cambodia. "We have arrived at a point where the imperatives of international conciliation intersect with the necessity for national reconciliation," said Mr James Baker, the US Secretary of State, who also warned that the scale of US aid to Cambodia will be related to how large a role the Khmer Rouge faction plays in any interim government.

The US and the Soviet Union would prefer the Khmer Rouge to be excluded, while China and Prince Norodom Sihanouk, the resistance coalition leader, want them included.

The conference will resume this morning in full session, and Mr Roland Dumas, the French Foreign Minister who is co-chairing the conference with Mr Ali Alatas, his Indonesian opposite number, said last night that he hoped to produce a working paper, to represent the state of the debate so far and to serve as a basis for negotiations, by noon.

Paris meetings, Page 2

# Yeltsin forms opposition in Parliament

By Quentin Peel in Moscow

THE BASIS of a new opposition within the Soviet Union's supreme Parliament was founded yesterday, headed by a five-man leadership including Boris Yeltsin, the Communist Party rebel, and Andrei Sakharov, the nuclear physicist and spiritual father of Soviet dissidents.

By yesterday, 260 members of the Soviet Congress of People's Deputies had signed up as members of the socalled Inter-Regional Group, a radical faction committed to faster democratic and economic reform.

At the same time as they elected a five-man collective leadership, the new group approved a radical platform. It demands a press and television free from Communist Party control, an end to the system of internal passports and travel restrictions, and indefinite leasehold property rights available to any individual.

The two-day founding meeting in the Congress of Deputies was treated with extreme caution, but tolerance, by the Soviet authorities. They are waiting to see just how much support it will gather.

Members claimed yesterday that up to 390 members of the Congress have expressed an interest in joining, including many of the increasingly independent-minded Communist and non-Communist deputies from the Baltic republics of Georgia and Armenia. However, their priorities are increasingly concentrated on their own sovereignty, rather than broader issues of Soviet reform.

With 260 members, the group already embraces more than 11 per cent of the deputies – and a quite disproportionate number of the most articulate and outspoken ones.

Mr Yeltsin himself, who announced the formation of the group, topped the poll at yesterday's leadership vote, followed by Dr Yuri Afanasyev, a Soviet historian who appears to be the leading theoretician in the organisation, and Dr Gavriil Popov, one of the country's most radical economists.

Dr Sakharov and Dr Viktor Palm, an academician from Estonia, make up the rest of a collective leadership. There was no agreement on a plan to rotate the chairmanship.

Dr Afanasyev made it clear that his vision of the group – described as "left-radical" in the official Soviet media – is of one aiming at social democracy.

They should take a broader view of the socialist idea than in the past, he said, proceeding "from Jesus Christ, through Lenin's death agony, to contemporary social democracy."

He also urged Mr Mikhail Gorbachev, the Soviet leader, to make his political choice clear between faster reform and protection of the Communist Party establishment – the *nomenklatura*.

"Gorbachev is justifiably regarded as the man who launched reform," he said, "but the time has passed when he can successfully remain the leader of perestroika and the leader of the *nomenklatura*. He has to make a clear choice."

The first action the group plans is to collect the 451 signatures needed to summon an emergency meeting of the Congress of Deputies in September, specifically to approve changes to the constitution in time for regional and republican elections in the autumn.

Mr Gorbachev, under extreme pressure from the party, had agreed to postpone the elections, but there has been a clamour of opposition. The striking miners, popular front organisations and other informal groups are determined to use the occasion to get rid of more members of the ruling party bureaucracy.

Mr Yeltsin also announced that the group is going ahead with its own newspaper, to be called "People's Deputy," without the permission of the Communist Party central committee.

The 60-point platform of the group includes a vast range of democratic demands, as well as economic reform proposals – including a call for the rouble to be made internationally convertible within two years.

The one establishment figure to address the meeting, Mr Yevgeny Primakov, chairman of the Soviet of the Union, urged the members not to become an "exclusive group" or "organisational cell."

But even by setting up with a platform, the organisation has declared itself the first public "faction" within the ruling party for almost 70 years.

Dr Oleg Bogomolov, a leading economist in the group, warned that the failure of the Polish Communist Party had been caused by its refusal to negotiate with the opposition.

Polish price rises; trade zone plan welcomed, Page 2

Opposing force: Boris Yeltsin votes yesterday during the formation of a new radical group within parliament

# Japanese plan more expansion in Europe

By Guy de Jonquières and Hugo Dixon in London

SONY, one of Japan's leading electronics companies, plans a big expansion of its European activities which will lead to the establishment of local operations in semiconductors and telecommunications by the early 1990s.

The plan, which is expected to involve investments of several hundred million dollars, will also include setting up in Europe several components plants and research and development laboratories.

Meanwhile, Matsushita, Sony's Japanese rival, is discussing proposals to enter the European automotive electronics market in collaboration with Bosch, the leading West German vehicle components maker.

Bosch, which already has a German joint venture with Matsushita in videorecorder (VCR) and compact disc (CD) player manufacturing, would supply the Japanese company with technology and commercial know-how, in return for help with its fledgling telecommunications business.

Sony already has eight European plants, making televisions and tubes, VCRS, CDs, audio products and magnetic tapes. Mr Jack Schmuckli, head of Sony's European operations, said that the planned investments were intended to deepen the company's local presence in advance of 1992.

As well as responding to European Community pressure to raise the local content of existing production, Sony wants to diversify into European markets outside consumer electronics. It is aiming particularly at telecommunications, computers, robotics, medical electronics and security systems.

Continued on Page 16

# Ban lifted on AT&T's electronic services

By Anatole Kaletsky in New York

AMERICAN Telephone & Telegraph, the world's leading long-distance telephone company, is likely to make a major push into the electronic publishing and information business after a court ruling, which lifted the ban on AT&T's involvement in these activities.

AT&T had been prohibited from originating or offering electronic services such as news, stockmarket quotations, home banking and travel reservations, under the 1982 anti-trust settlement between the company and the Justice Department.

The ban was originally set for seven years, but there had been some speculation in the communications industry that it might be extended by Judge Harold Greene, the US District Court judge who has had authority over the break-up and restructuring of the Bell telecommunications system since the anti-trust agreement.

The ban on AT&T's involvement in electronic publishing was to be lifted only if Judge Greene found that vigorous competition had developed in the industry and that the telephone company's participation would not allow it to establish a monopoly. With the ban due to expire on August 24 unless extended, AT&T appealed to the judge for a ruling. The judge confirmed on Friday that he saw no reason to continue the ban.

AT&T said the company was happy with the decision and was "actively considering various options" for an early entry into electronic publishing and information services.

While AT&T officials declined to be more specific, the company is known to have developed several in-house data bases and explored links

Continued on Page 16

# US senators seek greater allied share of overseas defence bill

By Lionel Barber in Washington

THE SENATE Armed Forces committee, faced with growing budgetary pressures, will this week introduce a plan aimed at obtaining greater burden-sharing in overseas defence spending from US allies in Europe and Asia.

The package will include proposals for President George Bush to negotiate an agreement for Japan to pay all the cost of basing US troops there.

It is also expected to include a requirement for Mr Bush to report to Congress on a five-year plan for the American military in Asia, and to consult with South Korea on the feasibility of a "partial and gradual reduction" in the 43,000 US troops.

The Senate committee members here, led by the widely respected Democrat Senator Sam Nunn of Georgia, are also pressing the Pentagon to withdraw troops from Europe if Nato members' forces fall below a certain ratio.

Together, the proposals, included in amendments to the 1990 defence budget, reflect growing pressure in Congress for the Allies to share more of the defence burden, at a time of domestic budgetary constraint in the US and improved relations with the Soviet Union.

These factors helped propel Mr Bush into a series of defeats last week in the House of Representatives. The Democrat-controlled House voted for cuts in the multi-warhead MX, scrapped funding for the mobile Midgetman missiles, and reduced funding for the SDI programme. Members also put the B2 Stealth bomber on hold until 1991.

Mr Bush will this week urge the Senate to restore order by backing his emphasis on the modernisation of the strategic nuclear triad in air, land, and sea-based missiles, at the expense of certain ageing conventional weapons. Mr Bush says backing both the MX and Midgetman development will give him more flexibility in dealing with the Soviet Union.

The Senate, which has a more conservatively-inclined Democratic majority than the House, is expected to give guarded support for Mr Bush's strategic programme.

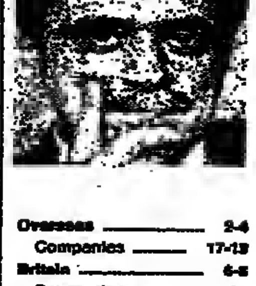
This sets the stage for Senate and House members to meet in conference in an effort to reconcile the two chambers' defence spending bills. Talks are likely to be delayed until September with the SDI budget a prime target for cuts.

The House votes last week marked a defeat for Mr Bush, but also for Democrat leaders such as Mr Les Aspin, chairman of the Armed Services committee, who had backed the President.

The revolt from the rank-and-file suggests a lack of consensus on defence which ranges from doubts about the need for the B-2 Stealth bomber costing more than $500m each, to uncertainty over whether to proceed with either the MX or the Midgetman.

## CONTENTS

### THE MONDAY INTERVIEW



Achille Occhetto, leader of the Italian Communist Party, is still struggling to establish an identity for the Party which protects it from being contaminated by the bankruptcy of 'real socialism.' Page 32

## Dumas moves to restart Lebanon talks

**By George Graham** in Paria

MR Roland Dumas, the French Foreign Minister, has taken advantage of the presence of 15 foreign ministers in Paris for the Cambodian peace conference to renew discussions on Lebanon, where intense shelling has again broken out in the last few days.

French officials said Lebanon had heen at the centre of Mr Dumas's bilateral conversations yesterday morning with both Mr James Baker, the US Secretary of State, and Mr Eduard Shevardnadze, tha Soviet Foreign Minister.

The ministers appear to have discussed the situation in Beirut and current Arab League peace efforts, but not to have considered any new initiative. "We will be consulting," Mr Shevardnadze said.

The talks came after three Arab League foreign ministers – from Morocco, Algeria and Saudi Arabia – held anotber meeting on the Lebanese crisis in tbe Moroccan capital, Rabat.

Heavy shelling since last week between the Syrian army and Christian forces led by Gen Michel Aoun has killed an estimated 60 people. A total of more than 500 have been killed and 2,000 wounded since artillery battles broke out in March.

THE Soviet and US foreign ministers, in Paris to attend the Cambodia peace conference, agreed this weekend to meet in the US in September to discuss a possible summit meeting between Mr Mikhail Gorbachev, tha Soviet leader, and President Bush of the US.

After a meeting that lasted an hour longer than planned, Mr James Baker (above right), the US Secretary of State, said he would meet his Soviet counterpart, Mr Eduard Shevardnadze (above left), again on September 19, probably in Wyoming. Jackson Hole, a scenic spot in the rugged Teton range, is one possibility.

Mr Shevardnadze said a superpower summit could take place "rather soon" if talks on September 19 and 20 went well. But Mr Baker would not be drawn on a date.

September's full-scale ministerial meeting will cover arms control, human rights, regional issues, bilateral relations and the environment, as well as summit preparations.

The Soviet Union is impatient to get the process of arms control restarted, but the US is more wary.

## Hong Kong talks to resume

BRITAIN and China agreed yesterday to resume talks on tha scheduled handover of Hong Kong to China in 1997, a British Foreign Ministry source said, Renter reports from Paris.

Mr John Major, Britain's new Foreign Secretary, met Qian Qichen, his Chinese counterpart, for nearly an hour at a hotel in Paris, where both are attending a 19-nation peace conference on Cambodia.

British sources said tha meeting was the first high-level official contact between the governments since China ordered troops and tanks to crush pro-democracy demonstrations in June.

The crackdown in China, condemned worldwide, alarmed Hong Kong's 7m people, most of whom are due to become Chinese after 1997 under a 1984 agreement.

The Foreign Ministry source said Mr Major drew attention to the strength of feeling in Hong Kong and Britain over events in China and "sought assurances that China would take measures to restore confidence in Hong Kong".

Mr Major and Qian agreed that a joint liaison group working out details of the handover of Hong Kong would meet in the last week of September in London and again in December.

China has promised not to interfere with Hong Kong's free-wheeling capitalism, bnt residents have angrily accused Britain of not doing enough to reassure them.

Britain's refusal to grant automatic residence rights to more than 3m Hong Kong British passport-holders bas further inflamed passions in the Crown Colony.

Diplomatic analysts said the Major-Qian meeting reflected London's declared policy of avoiding measures that could push China further into isolation.

In a separate meeting with US Secretary of State James Baker, Mr Major said Vietnamese refugees in Hong Kong would be sent home only with the agreement of Vietnam.

## Indochina: a Thatcherite speaks

MR John Major has wasted no time in bringing good Thatcherite principles to bear on his new job at the Foreign Office, George Graham writes.

His first outing to Paris for the international conference on peace in Cambodia has provided a heaven-sent opportunity for saving money by allowing him to meet all his major international counterparts, within a week of his nomination, for the price of a single air ticket – a reminder that his experience of budget-cutting will not be thrown out of the window now that he has changed job.

Tha most striking sign of Thatcherism in foreign politics, however, came in his ringing call for free enterprise as the remedy for the tronbles of Indochina.

Mr Major's vision of the troubles of Indochina – stagnation and strife, compared with the rapidly rising living standards which other countries on the Asia/Pacific rim have reaped from the free enterprise system – caused some surprise among other delegates to the Cambodia conference.

Mr Major at least passed up one other opportunity presented by the Cambodian question to beat the Thatcherite drum. In Mrs Thatcher's recent brush with President François Mitterrand over who had invented human rights, tha French scored a telling blow by noting that the Chinese stndents protesting in Peking's Tiananmen Square had sung the Marseillaise. Britain can counterattack, however, by remarking that Pol Pot, who ruled Cambodia for four bloody years from 1975 to 1979, also explicitly drew his inspiration from the French Revolution.

## Andreotti government wins vote of confidence

MR Giulio Andreotti, Italy's Prime Minister, won a final vote of confidence for his five-party government yesterday and appealed to Italians to fight the "murderous and corrupting" infinence of organised crime, Reuter reports from Rome.

The Chamber of Depnties voted 371 to 200 for Italy's 49th post-war government, giving it full powers to tackle urgent problems, listed by Mr Andreotti as the Mafia, preparation for the 1992 single European market, drugs and tax evasion.

The coalition of Christian Democrats, Socialists, Republicans, Liberals and Social Democrats resurrected by Mr Andreotti after a two-month political crisis won a first vote of confidence in the Senate on Thursday.

## Cyprus unity talks may resume

Twn Greek-Cypriot priests, the last of 108 protesters seized by Turkish-Cypriot police 11 days ago, returned home yesterday amid bopes that reunification talks could now resume, Reuter reports from Nicosia.

Cyprus government spokesman Akis Fantis said he hoped the next round of the UN-sponsored negotiations would be held later this week.

## South Yemen reform plan

Sonth Yemen is introducing political and economic reforms aimed at correcting "past mistakes" and improving relations with its estranged neighbours, Reuter reports from Aden.

The ambitious plans, pnblished yesterday in the official weekly magazine al-Thawry, set new economic, foreign and domestic policy goals.

## Yugoslavs warned on ethnic tensions

A top Yugoslav official said yesterday that nationalist disputes had infiltrated the ruling Communist Party from its leadership to the grass roots, Reuter reports from Belgrade.

"Inter-ethnic divisions and quarrels are permeating the party," politburo member Ivica Racan told a Central Committee plenary session on inter-ethnic relations, due to finish today.

## Vietnamese to settle in US

Vietnam and the US have agreed on a programme allowing Vietnamese who worked with US forces during the Indochina war to resettle in America, Reuter reports from Bangkok.

Hanoi Radio said yesterday that nnder the agreement reached during a visit by a US delegation last Thursday and Friday a first group would be able to leave by the end of this year to join relatives in the US.

## Philippine talks

The Philippines will open debt talks with its creditor banks in New York on August 8, in a bid to be the first country after Mexico to cash in on a US-sponsored plan to cut Third World debt, Renter reports from Manila.

## Brazil inflation up

Brazil's inflation rate increased to 28.8 per cent in July from 25 per cent last month giving an accumulated inflation of 255 per cent for the first seven months, Ivo Dawnay writes from Rio de Janeiro. The rise was smaller than markets had anticipated.

## Hat trick

A 17-year-old shop assistant flung a Basqne beret 22.9 metres on Saturday to win the fourth annual headgear hurling champtonship, Reuter reports from Baracaldo, in Northern Spain. Organisers said Mr Alfredo Aguirre narrowly failed to beat the event record of 23.5 metres set last year.

## Polish Government to lift rationing of meat tomorrow

**By Christopher Bobinski** in Warsaw

THE Polisb Government is to lift meat rationing tomorrow and let prices double.

This follows the election at the weekend of Mr Mieczyslaw Rakowski, outgoing Prime Minister and a close political ally of Geoeral Wojciech Jaruzelski, the country's oewly-elected President, as Communist Party leader.

The former newspaper editor's promotion came as his governmeot decided to go ahead with allowing food prices to be set hy the market, risking industrial unrest.

Already, transport workers are threatening to strike for higher wages. Similar warnings have been issued by the Gdynia and northern shipyards. The Solidarity leadership warned against implementing the meat price move and demanded wage rises to compensate for the rise in living costs.

In a secret ballot for the leadership, 171 central committee members voted for Mr Rakowski, who won a reputation as a liberal in the 1970s, and 41 against. It seems he owes his majority to a deal with spokesmen for the conservative apparat such as Mr Janusz Kubasiewicz, party leader in Warsaw, and Mr Manfred Gorywoda, first secretary in Katowice, who joined the Politburo as a result.

The central committee wreaked its revenge on some members of the leadership blamed for the party's election fiasco last month. Men such as Mr Stanislaw Ciosek and Mr Jozef Czyrek, architects of the round-table talks last spring whicb opened the way for Solidarity's return, had to resign.

Mr Rakowski has brought three relatively young men in as central committee secretaries. Their careers took off when they won seats in Parliament last month and their appointment signals a change in generation at the top of the party.

One is Mr Marcin Swiecicki, a market-oriented economist who won his seat in Parliameot with some help from Solidarity in Warsaw and who will oversee economic affairs. Another is Mr Marek Krol, editor of Wprost, one of Poland's liveliest weekly papers and the party parliameotary group's press spokesman.

Mr Rakowski, who won Solidarity's hostility for his support of martial law, has risen to tha top party post when power will no longer be centralised in the Politburo. Gen Jaruzelski continues to hold ultimate decision-making powers.

Mr Rakowski, as Prime Minister, has established the principle that the government should be antonomous from the Polithuro, and the party's parliamentary group is demanding its voice on policy-making be treated as seriously as the central committee's.

Mr Alfred Miodowicz, leader of the official union OPZZ, has resigned from the Politburo, signalling his movement wants to be seen as more autonomous.

Mr Rakowski's task is now to try to transform the party into a political force capable of winning elections rather than governing hy dint of mere ideological imperatives. He will have to retain a measure of unity between the dominant conservative apparat, and the reformers.

## Dim outlook for Labour in Norway

**By Karen Fosell** in Oslo

NORWAY'S general election on September 11 promises to be the "strangest election in 60 years", according to Mr Helge Seip, former cabinet member and well-respected political barometer for more than half a century.

In addition to an expansion of the Storting (parliament) by eight seats to 165, a redistribution of power among the parties to a degree not seen in Norway since 1924 is expected, with Labour Party hegemony being brought to an end.

Mr Seip, who is used as a television commentator on election night because of his uncanny ability to predict the trends before the compnters can produce the figures, says there are signs that the current ruling minority Labour Party in this year's election will glean its lowest share of the votes – he forecasts 32 per cent – since 1930, when it managed to squeeze just 31.4 per cent from the electorate.

The biggest problem for Mrs Gro Harlem Brundtland, prime minister, is the country's soaring unemployment, now about 4 per cent, its highest level since the depression and an unacceptable state of affairs for a Labour government.

However, Mr Seip says the opposition Conservative Party is in no better shape; it should brace itself for a meagre 22 per cent share of the votes, about the same level of support during the 1930s.

Conventional wisdom – and Mr Seip's – makes the populist and anti-establishment Progress Party Norway's third largest, with up to 17 per cent. "They're defecting from both the Labour and Conservative parties and you could say that Progress will become Norway's second largest Labour party after the election."

## Soviet German republic plan

**By David Goodhart** in Bonn

MR Helmut Kohl, the West German Chancellor, has warmly welcomed a tentative Soviet proposal to establish a special German-Soviet trada zone combined with a new republic for Soviets of German descent in Kaliningrad, near the Baltic Sea.

Kaliningrad is now a pocket of the Rnssian Republic squeezed between Poland and Soviet Lithuania, bnt before coming under Soviet control it was known as Königsberg and was the easternmost outpost of pre-war Germany. It is probahly best known as the home of the 18th-century German philosopher Immanuel Kant.

The Soviet proposal appears to be an imaginative way of combining Germany's interests in its old territories and in the treatment of Soviet Germans, and Soviet interests in attracting Western capital and technology.

An additional bonus for Bonn is that a "homeland" for Soviet Germans might stem the tide of those ethnic Germans emigrating to West Germany. The flow of ethnic Germans from the Eastern Bloc is stirring up resentment among poorer West Germans and increasing support for the far-right Republicans. About 50,000 Soviet Germans arrived in Germany in 1988.

Large groups of Soviet Germans are settled in the Central Asian republic of Kazakhstan, where they were forcibly relocated from the Volga region by Stalin before and during World War II. Kaliningrad might be a suitable site for a proper Soviet German republic because it is relatively nndeveloped and sparsely populated.

The idea of a special German-Soviet trade zone around Kaliningrad was first floated during President Gorbachev's visit to Bonn last month.

## Bonn criticised by Israel over PLO contacts

**By David Goodhart**

THE Israeli ambassador to West Germany, Mr Benjamin Navon, has sharply criticised the West German governmeot's decision to follow most of its EC partners by improving its contacts with the Palestine Liberation Organisation.

The Foreign Office in Bonn said last week that Mr Jürgen Sudhoff, a State Secretary, had held discussions with Mr Abdallah Frangi, the PLO representative in Bonn.

Because of West Germany's special, post-Holocaust, relationship with Israel, it has been more reluctant than most of its European partners to take a leading role in cultivating the PLO in order to encourage the peace process in the Middle East.

The Bonn decision seems to have been partly prompted by the EC's decision at the Madrid summit in June to strengthen its support for PLO "participation" in any peace conference, having previously called only for PLO consultation.

## Fiat link suspected in Condor missile probe

**By John Wyles** in Rome

NINE former employees of Snia Bpd, a defence equipment company controlled by Italy's Fiat Group, are under formal suspicion of illegally collaborating in the development of the Condor 2 missile project involving Egypt, Argentina and Iraq.

They are expected to be interrogated by Rome magistrates shortly after an apparently lengthy investigation by Sismi, the internal arm of the Italian secret service.

In the last two years, Italy has been ideotified in both Washington and London as a source of technology and materials whose supply for Condor 2 is held to be in breach of the Missile Technology Cootrol Regime, agreed among the US and the six other leading industrialised countries.

Fiat has consistently denied any connection with Condor 2 while acknowledging that Snia Bpd did collaborate with Messerschmitt-Bölkow-Blohm in developing for Argeotina the Condor 1, a rocket designed for meteorological purposes.

A successful prosecution of the case against its former employees could be embarrassing for the Turin groop, since it is bound to raise questions abont whether any of the nine first came into contact with Condor 2 while still with Snia.

Mr Gualberto Ranieri, a group spokesman in New York, said earlier this year that no Snia technicians were associated with Condor 2 and that if any found to be so "they would be sacked immediately".

Political concern in the US has reached the point where legislatioo is now before the Honse of Representatives which would impose sanctions on any companies found to be breaching the MTCR.

Various governments share the US anxiety that Condor 2 could be a dangerous new element in the Arab-Israeli conflict, and an uncomfortable threat to the Falkland Islands, should Argentina wish to revive its claims by military means.

## EC progress over Lomé talks stance

**By David Buchan** *in Brussels*

THE European Community's renegotiation of its Lomé aid coovention with 66 developing countries is back on the rails, after Italy and Greece dropped demands for protection against some Third World farm imports.

The breakthrough on Friday allowed the European Commission to present to representatives of the African, Caribbean and Pacific (ACP) countries the EC position on five key aspects in negotiations to renew the current Lomé convention, which expires next February. These cover raw materials, the Stabex and Sysmin export earnings stabilisation schemes, new members of the convention and trade.

Greece and Italy, concerned about fig and apricot exports, had refused to agree with the 10 other EC states on what to offer the ACP conntries on trade, threatening a deadlock. Formal negotiations will now resume in early October.

However, the Community and ACP are still far apart on environmental issues, and the EC has yet to make up its mind how big an increase it wants to offer on the Ecu8.5bn (£5.7bn) in grants and soft loans it is providing in the current 1986-90 Lomé part. The EC is split between northern states urging help for the ACP in trade rather than aid (for which they largely foot the bill), and the south arguing the reverse (because it faces ACP farm produce competition).

At the same time, Commission and ACP officials have reached an agreement that the Community will meet Ecu315m worth of the total Ecu600m claims made by ACP countries, under the Stabex system, for losa of commodities export earnings last year.

# French coax EC states towards entente on merger controls

### Paris is urging Community ministers to reach an accord by Christmas after years of wrangling, writes **William Dawkins**

IF ALL goes to plan, a coherent European Community-wide anti-trust system should be in place – or at least nearly – by the end of the year. It will be the biggest formal extension so far of the European Commission'a rather vague powers to influence cross-border mergers.

France, with its new presideocy of the EC, is determined to cajole its divided EC partners into adopting the scheme before it leaves the six-month Community chairmanship on December 31. Mrs Edith Cresson, French European Affairs Minister, told her 11 EC counterparts at a recent ministerial meeting that they were expected to do their utmost to sink their differences oo mergers by Christmas.

If Paris succeeds in attracting the unanimity required, this will bring to a fruitful end 16 years of intermittent – and sometimes heated – wrangling over the highly sensitive issue of to what extent industrial policy should come into the enforcement of competition rules.

It means EC governments will surrender a significant part of their freedom to make industrial policy to the stern, hut at least consistent, strictures of the Brussels anti-trust authorities.

The present form of this much-changed regulation would force big cross-border takeovers to seek advance clearance from the Commission, thereby ensuring that they all observe the same set of European competition rules, rather than differing national criteria.

It will also remove much of oational authorities' scope for refusing foreign mergers tbey do not like for other reasons.

Everybody agrees Brussels' present powers to influence potentially anti-competitive mergers are inadequate. The Commission can only act after the conclusion of the deal, an infuriating uncertainty for hidders. It can only apply the existing vague EC competition rules, never drafted with mergers in mind.

It is remarkable that France of all countries should take its EC presidential responsihilities so seriously in this respect. For it was until recently one of the proposal's toughest critics.

Presidential gravitas has had surprising effects on governments in the EC chair before. But this change of heart could also well reflect the growing number of French cross-border corporate raids by French companies keen to buy positions in the 1992 single market.

"A number of them have told us they have come across obstacles in other member states. They don't like it and they think they might get a better deal from the Community," argues a Commission official.

Even British and West German officials, tougher sceptics than their French colleagues used to be, believe Paris has a fair chance of pulling it off. "We can at the very least expect some kind of a crunch point before the end of the year," says one national negotiator.

The next stage will be for member states ambassadors' to the EC to try, over the summer, to settle some of tha main points impeding agreement, so that ministers have a good chance of making progress next time they meet at the next Internal Market Council on September 18.

The few national competition officials left in Brussels over the summer mooths will spend their time trying to sort out the following issues.

The biggest point is wrapped up with a broader debate on the extent to which the EC should develop an industrial policy to answer the competitive threat from the US and Japan.

Most member states, for different reasons, believe it would be quite wrong that the Commissioo sbould nse pure competition criteria to decide whether to block or support mergers.

The Commission wants some flexibility in the regulation, but not quite the same sort that those member states have in mind. While anti-competitive mergers should generally be banned, they might be allowed in special circumstances.

They should help economic progress, better production or distribution, while giving consumers a fair share of the benefit – a formula drawn from the EC's existing competition rules, and obviously open to very different readings.

On the right of the Brussels authorities stand the UK and West Germany, which think such flexibility would give too much industrial policy-making scope to the Commission's competition department, a body subject to only limited democratic control.

Sir Gordon Borrie, Britain's director general of fair trading, and Professor Wolfgang Kartte, President of West Germany's Bundeskartellamt (federal cartel office), both fear the Brussels authorities could seriously ahuse any power to favour anti-competitive mergers that might have broader economic benefits.

They want Brussels to follow the example of their own anti-trust organisations and apply the purest competition criteria.

On the left stands France, which wants even more scope than proposed, to allow mega-deals to go ahead in the interest of defending European industry's place in the world. Italy, Spain and Portugal are in roughly the same camp, though their main interest is in boosting jobs jobs in poor regions.

"It is our job to be more or less in the middie. We see no reason to budge on the criteria," says a Commission official. One solution being aired in Brussels would be to give national officials or even Ministers more of a say than at present in decisions on the broader economic benefits of cross-border mergers.

Then tbere is the size of takeover to be covered. The Commission want to set the ceiling at mergers with combined world turnovers of Ecu5bn (£3.35bn), falling to Ecu2hn by the end of 1992.

In addition, the smaller partner in the deal must have an EC-wide turnover of more than Ecu100m, and not more than two-thirds of the combined group's sales must come from one member state.

Here again, member states are split down the middie. Britain, France, West Germany and Spain think these thresholds should be much bigger: a reflection of their anxieties that the result of this exercise will be needlessly to hamper industry's need to reorganise itself for the internal market. At a pinch, the "big four" could live with a permanent Ecu5bn threshold, say officials.

Against them are ranged Belgium, Denmark, the Netherlands and Ireland, which want lower thresholds so as to catch as many mergers as possible. Some of them even think the Commission has compromised too far over its original proposal for an Ecu750m threshold.

Broadly, these are small countries, which tend to have open economies with almost no anti-trust controls to keep out foreign invaders. Surprisingly, Italy is also part of this group. At any rate, they look to Brussels to provide the national merger control rules they lack and need.

The most technical question to be sorted out is whether mergers not covered by the regulation itself could still run into tronhle from existing EC competition rules – a problem ominously known as "donble jeopardy" in Community jargon.

Sir Leon Brittan, Commissioner for competition policy, maintains that the whole point of the regulation is to apply the EC Treaty'a Articles 85 and 86 – banning distortions of competition and abuses of dominant market positions – to mergers.

So it follows, he argues, that the Commission will not take action against takeovers outside the regulation's scope.

However, there is nothing to stop, say, disgruntled counter-bidders from using any EC Treaty provision their lawyers can find to try to get the European Court of Justice to stop a merger.

"We think the problem is theoretical rather than real. But even so, we can't offer a solid guarantee," admits a Commission official.

All involved want to avoid double jeopardy, so the challenge here is more to do with the clever drafting than deep debate about the role of competition law.

Even so, the committee of national and Commission experts responsible for disentangling all this has its work cut out if they are to fulfil Mrs Cresson's request by the end of the summer holidays.

That is to get the merger control plan into good enough shape to make to it to the finishing post without stumbling too painfully.

**The proposed EC merger control regulation at a glance:**

- **Deals affected:** Cross-border takeovers with combined world annual turnovers of Ecu5bn (£3.35bn) until end-1992, then Ecu2bn. Also: smaller company in the deal must have more than Ecu100m EC-wide sales and less than two-thirds of new group's sales must be in one member state.
- **Procedure:** Commission informed in advance, takes up to a month to decide whether there might be a problem, then four more to decide whether competition is harmed.
- **Commission powers:** Can suspend, change, block deals. But bidder can appeal in European Court of Justice.
- **Merger policy takes effect:** When it get unanimous support of 12 member states, likely late this year or early next. It then takes immediate effect, without the need to be turned into national law.

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## OVERSEAS NEWS

# HDTV prospects much exaggerated says study

By Peter Riddell, US Editor in Washington

THE market prospects in the US for high definition television have been greatly exaggerated, according to a Congressional stndy which challenges the growing industrial and political lobby for Federal Government support to develop the advanced technology involved.

Ths report, from the Congressional Budget Office, comes at a time when the US administration is reassessing its attitude and preparing to produce a detailed plan.

HDTV, which offers a much sharper television picture than existing technology, has become the focus of an intense debate about the US's ability to remain internationally competitive, particularly against Japan, in areas of high technology.

Mr Robert Mosbacher, the Commsrce Secretary, earlier this year stressed the importance of a large US presence in a market which would reach $140bn over the next 20 years in order to strengthen America's industrial base. The US electronics industry and leading Congressmen of both parties have pressed for Federal support.

However, the Congressional Budget Office study questions some of the assertions made about HDTV's prospects and its broader impact.

Robert Mosbacher: stressed need for US presence

In particular, it concludes that "even the most optimistic market growth would bs unlikely to affect other electronics industries in the way suggested hy proponents of HDTV – accounting in 2010 for less than 10 per cent of the size of today's electronic equipment sales."

The study also questions the potential consumer demand for the improved television pictures offered by HDTV.

Ahead of publication the study has been attacked as "too narrowly based" by the American Electronics Association, which has urged $1.3bn in Federal aid for development of HDTV.

Congressional supporters of large-scale assistance are also preparing to challenge the study, which they snggest ignores both widsspread research indicating the importance of HDTV as a leader of new electronic technology and the scale of development in Japan and Europe.

Mr Mosbachsr originally promised to outline proposals on HDTV development by July 1, but these have been delayed until September at the earliest, amid signs that the administration wants to relate HDTV development to other technologies.

Mr Wayne Berman, the Commerce Department counsellor who chairs the administration task force on HDTV, last week backed Government support for basic research, like high-definition displays.

However, he added that it was inappropriate for the Government to pour in several billion dollars in loans and loan guarantees and "set a national priority to develop HDTV."

# SA faces mass action campaign

By Patti Waldmeir in Johannesburg

SOUTH Africa's anti-apartheid groups are planning a campaign of civil disobedience later this week in whicb black patients are being called on to seek treatment at whites-only hospitals.

Mass action in the country has been rare since Pretoria imposed a state of emergency three years ago. Some 30,000 people were detained and restrictions were plsced on most forms of political sctivity.

Most dstainees have since been released and the campaign this week could prove an important test both of their ability to organise opposition to the state, and of Pretoria's attitude to such opposition.

Mr Adriaan Vlok, the Minister of Law and Ordsr, accused the "mass democratic movement" (a loose coalition of opposition groups) of planning violent disruptions of the forthcoming elections. The MDM insists its protest is intended to be peaceful.

The MDM says the challenge to the country's segregated system of health care on Wednesday was not aimed at disrupting hospital services, and that only genuinely ill patients would be encouraged to take part.

# Peru steps up fight against rebels

By Barbara Durr in Lima

THE PERUVIAN army has stepped np its action against guerrillas in the country's main coca-growing area, killing 110 rebels in a single night.

According to a communiqué by Peruvian military high command, three armed clashes took place on the night of July 27 and the early hours of July 28. At least seven soldiers were killed.

This is the most spectacular success for the Peruvian army since it changed its campaign against guerrillas in the Upper Huallaga Valley, Peru's main coca region.

General Alberto Arciniegas, in charge of the military emergency zone in the valley, has developed in recent months a fresh strategy nsing belicopters and better intelligence.

The guerrillas, largely from the Sendero Luminoso group hnt also from the Tupac Amaru Revolntionary Movement, have dominated the valley for most of the last two years, collecting vast sums of "taxes" from drug traffickers.

President Alan Garcia last week acknowledged Gen Arciniegas's successes in a visit to the Huallaga Valley.

In his Indepsndence Day address last Friday, the President spoke of the government's recent advances against insurgents throughout the country.

He snggested that military control of the guerrillas was around the corner, an assessment that was disputed hy most opposition politicians. Gen Arciniegas is widely viewed as an exception.

In his only new initiative on insurgency, Mr Garcia made a proposal to Congress for military tribunals for insurgents, but the left-wing parties are unlikeiy to allow it to prosper.

# Maputo moves further from Marxist path

By Nicholas Woodsworth in Maputo

DELEGATES at ths Fifth National Congress of Mozambique's ruling Frelimo party yesterday voted approval of a party programme and a set of economic and social directives that mark a further shift away from the country's traditional path of Marxist development.

While Frelimo remains committed to socialism, it has, in contrast to the last party programme sdopted in 1983, dropped all reference to Marxism-Leninism.

Where the previous programme outlined the political task of educating workers in Marxist-Leninist consciousness and "smashing the class enemy," it now places greater emphasis on the promotion of social equality.

Frelimo no longer defines the state as a "revolntionary democratic dictatorsbip of workers and peasants," bnt now sees itself as "a vanguard party whicb seeks to express tbe will and the feelings of all the people."

The ideological shift away from class orientation to the development of nstional consensus was presented hy Mozambican Presideot Joaquim Chissano as "a real framework" for the prohlems fscing the country in its 13-year war against rebels of the Mozambique National Resistance.

The more pragmatic approach will result in changes to Frelimo's party structure and its direction of the country's economic development.

Party membership, currently limited to 200,000 out of a total population of 15m, will he enlarged. In order to hroaden its base of political support, Frelimo will allow representation from groups previously excluded; these include private sector businessmen and property owners, religious leaders, and polygamists from Mozambique's sizeable Moslem community.

A Frelimo central committee report delivered during the Congress said it was no longer the state's responsibility to create wealth; individuals sbould instead play a larger role in economic development.

In a country where in times of peace more than 80 per cent of the population is involved in subsistence agriculture, stress will be placed on peasant family farming rather tban on the inefficient state-farming sector.

Backed by a three-year-old economic recovery programme sponsored by the International Monetary Fund, the government will continue a process of economic liberalisation that includes on-going devaluation, consumer subsidy removals, budget deficit cuts, and a greater role for the private sector.

In an effort to reduce a balance of payments deficit in which imports exceed exports by more tbsn seven times, increased emphasis will be laid on foreign investment and bsrd-currency earnings througb light industry.

# Chile votes in referendum on constitutional reform

PRESIDENT Augusto Pinochet and his political opponents led millions of Chileans yesterday in voting in a referendum ou constitutional reform, Reuter reports from Santiago.

The general and opposition leader Mr Patricio Aylwin were among the first to cast their votes in the "yes" or "no" ballot on the reforms, agreed between the government and its opponents last month, which include curbs on the future political power of the military.

"There is no confrontation in this plebiscite (which) opens a route of hope to the reconstruction of democracy in our country," Mr Aylwin, opposition candidate in this December's presidential elections, told journalists.

Gen Pinochet and his opponents both called on Chileans to approve the package, but differed sharply in their pre-poll propaganda on the significance of the vote.

The opposition sees the reforms as a first step towards full democracy, but the government portrayed them as giving stability to the constitution.

Opposition parties, favoured by opinion polls to win the December election, have pledged further reform once in power.

Gen Pinochet, 73, who had once said he would not change a comma of the constitution, drawn up to his specifications in 1980, was forced to agree to the reforms after losing a plebiscite last October on his continued rule.

His defeat led to the calling of presidential and congressional elections.

Shipping Report

# Tanker market rates fall

By Kevin Brown, Transport Correspondent

RATES fell in the tanker market last week, largely as a result of a low level of inquiry from charterers in almost all loading areas.

Some large ship movements from the Middle East Gulf were reported, but not enough to hold the slide in rates, brokers said.

By the end of the week, Exxon was able to fix a ship of 300,000 tons from the Gulf to the Red Sea at Worldscale 35, and a vessel of 270,000 tons was fixed for the same trip at Worldscale 40, a reduction of 2.5 points on the week.

The decline in rates spread to West Africa, where brokers said charterers were able to fix vessels in the 1m barrels class for discharge in the US Gulf at Worldscale 80.

The Mediterranean was said to be buoyant for some classes of vessel, but there was little demand for vessels available in the early part of August. Ships of 80,000 tons were being fixed to the UK at Worldscale 80.

There was little good news for owners in the Caribbean and North Sea. A New York charterer was said to have secured cover for 80,000 tons from the North Sea to the US Gulf at less than Worldscale 90.

## WORLD ECONOMIC INDICATORS

UNEMPLOYMENT

| | June '89 | May '89 | Apr '89 | June '88 |
|---|---|---|---|---|
| US 000's | 6,561.0 | 6,395.0 | 6,546.0 | 6,523.0 |
| % | 5.3 | 5.2 | 5.3 | 5.4 |
| UK 000's | 1,743.0 | 1,803.0 | 1,884.0 | 2,341.0 |
| % | 6.1 | 6.3 | 6.6 | 8.2 |
| W Germany 000's | 1,915.0 | 1,948.0 | 2,035.0 | 2,131.0 |
| % | 7.4 | 7.6 | 7.9 | 8.4 |
| Belgium 000's | 348.6 | 357.8 | 386.4 | 385.7 |
| % | 9.1 | 9.2 | 9.5 | 10.1 |
| | May '89 | Apr '89 | Mar '89 | May '88 |
| Japan 000's | 1,505.0 | 1,560.0 | 1,630.0 | 1,560.0 |
| % | 2.4 | 2.5 | 2.6 | 2.5 |
| Netherlands 000's | 378.0 | 409.0 | 428.0 | 420.0 |
| % | 6.3 | 6.6 | 6.9 | 6.8 |
| France 000's | 2,412.0 | 2,486.0 | 2,547.0 | 2,432.0 |
| % | 10.2 | 10.5 | 10.8 | 10.8 |
| Italy 000's | 3,878.0 | 3,945.0 | 3,952.0 | 3,816.0 |
| % | 16.4 | 16.6 | 16.7 | 16.3 |

Source: (except US, UK, Japan) Eurostat

OVERSEAS NEWS

# Rift among Mujahideen leaders grows

By Christina Lamb in Islamabad

THE growing rift between leaders of the Afghan resistance has worsened with Burhanuddin Rabbani, head of Jamiat Islami, calling for the ousting of Gulbuddin Hekmatyar's party, Hezbi Islami, from the interim government.

Rivalry between the two parties, which both consider themselves the strongest militarily, has been increasingly bitter since a Hezbi commander massacred 30 Jamiat Mujahideen in the northern town of Farkhar two weeks ago.

On Saturday, Rabbani and Sibghatullah Mojadiddi, president of the interim government, staged a protest rally against Hekmatyar, attended by five of the seven guerrilla leaders, all of whom condemned the Hezbi action. Speakers at the five-hour meeting denounced Hezbi Islami as "professional terrorists".

In his strongest statement to date, Mojadiddi said: "Those involved in such incidents could not be called Moslem or Mujahideen". Without mentioning Hekmatyar's name, he said: "It was not the first time men of this organisation killed innocent commanders," and added that a delegation would visit Farkhar to review the incident.

Rabbani called the massacre part of a "dangerous plot" to eliminate top Jamiat commanders. "The crime was beyond the capability and decision-making capacity of a local commander. Hezbi leadership must take responsibility." He proposed that Hezbi be suspended from the interim government until the commission announces its findings.

The rift comes at a bad time, with superpower talks on Afghanistan due to start today. While Pakistan's military intelligence is playing it down as "a tribal feud", Western diplomats in Islamabad say: "This is an extremely serious matter which raises questions about the ability of these groups to get their act together. It will set the pattern of fighting for months to come."

● AP reports from Kabul: Rockets hit Kabul on Saturday, some of them showering shrapnel over a crowded bazaar. The government said 12 people were killed and 56 injured.

In the past month, the rebels have been launching rockets from behind the hills that ring the capital. More than 200 people have died.

# US policy under fire in Islamabad

## A single coherent plan is hard to achieve, Christina Lamb reports

WITH the first superpower talks on Afghanistan in 18 months due to get under way today, US policy in the region is coming under increasing fire in Islamabad.

The most vociferous critics are the Western Europeans, who are accusing Washington of "paying lip-service to a political solution while following a line which can only worsen the situation."

The Helsinki talks are expected to be little more than a restatement of respective positions, with the Soviet Union calling for a ceasefire, a halt in arms supply, and a coalition of all parties in the 11-year conflict.

The US refuses to countenance anything involving the participation of President Najibullah's Soviet-backed ruling People's Democratic Party (PDPA).

Despite the worsening battlefield fortunes of the Mujahideen guerrillas since the departure of the Soviet Union's troops, and the total failure of the Afghan Interim Government (AIG) to establish itself, US policy is still predicated on a military victory and installation of the AIG in Kabul.

One European diplomat complains: "They seem blind to the facts. The Mujahideen failure to capture Jalalabad should have shown them that this guerrilla force is not about to defeat a deeply entrenched, well-equipped and trained army with an air force."

Another diplomat says: "We all share the same objective – the removal of an unpopular régime – and realise that military pressure is necessary to improve the resistance bargaining position, but just pouring in arms won't solve anything."

There have been repeated intelligence failures despite the large US presence in Pakistan.

Having underestimated the strength of the Najib régime, they predicted mass defections and were so confident of a collapse from within that they even reduced arms supplies before the Mujahideen attack on Jalalabad.

The large number of US agencies involved means a single coherent policy is hard to achieve, and there is a reluctance to admit mistakes. A European diplomat says: "I would have hoped for more honesty and objectivity."

Defending the US line, one official argues: "The Mujahideen will not go along with a political solution which involves the PDPA. The Soviet Union and PDPA will accept nothing but a coalition. There can be no political solution until the facts on the ground change one or other assessment."

Abdul Haq, a prominent Mujahideen commander and critic of US policy, argues: "The problem is political, not military." Mujahideen are refusing to fight for a government which they consider unrepresentative, but Haq argues: "The US is making sure there is no other option."

The fact that neither Pakistan nor Washington has recognised the AIG is an admission of its lack of credibility. The US Embassy line is that "the AIG is getting its act together – the health and reconstruction ministries are working."

However, officials admit privately: "It's a joke. How can seven artificially created parties who all hate each other sit down and form a government? The problem is: if we pull the carpet from under them, we have nothing."

The US has made little secret of the fact that the Mujahideen have the summer to reverse their battlefield fortunes before a policy reappraisal.

European diplomats complain: "This is like hanging out a banner for Najib that he only has to hold on until winter."

Expecting little improvement in the Mujahideen ground position, Pakistan's foreign office is anxious for the US to come up with a compromise, fearing they will find themselves abandoned.

Pakistan's close ally, Iran, is blocking an alliance between Mujahideen based in Pakistan and Iran. A senior figure in Pakistan's Foreign Ministry admits: "We are facing waning international support.

"It is in our interest that the Afghan problem is resolved, but we have so much baggage to carry, pleasing the US, Saudi Arabia and Iran and the opposition at home. For the moment, initiatives will have to come from the Soviet side."

# Egypt and IMF near new accord

By Tony Walker in Cairo

EGYPT and the International Monetary Fund are near agreement on a new standby accord, opening the way for a Paris Club rescheduling of some $5bn (£2.9bn) official debt, according to IMF and Egyptian officials.

Dr Shakhour Shalaan, IMF regional director, left Egypt at the weekend. Officials say Egypt is putting finishing touches to a "letter of intent" expected to be ready when Mr Shalaan returns to Cairo late in August.

Differences persist over interest and exchange rate policy. But Egypt's recent decision to bring the rate at which customs duties are levied into line with the commercial bank rate is seen as a positive development.

The Fund has been urging a sharp increase in real interest rates to encourage savings in Egyptian pounds.

The IMF has also been calling for a further rationalisation of Egypt's multi-tiered exchange rate system.

Fund officials point to steps taken recently as a sign that Egypt is serious in its effort to reduce its budget deficit and restructure its debt-burdened economy.

These steps include energy price increases, a tax increase on cigarettes and an effective rise in bread prices.

# Rafsanjani vote overshadowed

By Andrew Gowers, Middle East Editor

CONFIRMATION of Hojatoleslam Ali Akbar Hashemi Rafsanjani as Iran's new President was yesterday overshadowed by figures showing that the turnout to elect him were lower than hoped.

In Friday's election, widely seen as a foregone conclusion, Mr Rafsanjani won 94.5 per cent of votes cast, with only 3.8 per cent going to the token candidate, Mr Abbas Sheibani.

Mr Rafsanjani, who has up to now combined the roles of parliament speaker and military commander in chief, is thus set to become Iran's fourth president. He could also be the most powerful in the 10-year history of the Islamic Republic following the approval, also on Friday, of sweeping constitutional changes.

But according to final returns, announced yesterday, only 16.4m of an estimated 24m eligible voters cast their ballots. This means around 30 per cent of eligible electors stayed away, despite an intense campaign to get Iranians to vote as a show of support for the Islamic Republic following the death of its founder, Ayatollah Khomeini, on June 3.

Three grand ayatollahs had joined the effort to persuade Iranians it was their "religious duty" to vote.

The authorities claimed Friday's turnout was a record, "proving the strength and stability of the Islamic Revolution". But according to the official media, the figure compares

President Rafsanjani

with 16.8m votes cast in a presidential election eight years ago.

The voting figures may well reflect disenchantment at the lack of a real choice in the election. But they will come as a disappointment to Mr Rafsanjani, who was looking for the strongest possible endorsement before setting out to implement economic and foreign policies that seem bound to arouse domestic controversy. He has promised to devote the next 10 years to rebuilding Iran's battered infrastructure and industry.

Many Iranians expect him to seek early improvements in the country's relations with the West – just as he has already patched up ties with the Soviet Union, whose Foreign Minister, Mr Eduard Shevardnadze, is set to visit Tehran today.

An early portent of the internal problems Mr Rafsanjani will face came yesterday, when the Interior Minister, seen as a leading hardliner, said Islamic groups would retaliate against US and Israeli interests for Israel's kidnapping of a Lebanese Shia leader on Friday.

● The amendments to the Iranian constitution approved by an overwhelming vote abolish the post of prime minister and make the president the chief executive, agencies add.

The amendments end a division of power between president and prime minister which led to ministerial posts being left vacant and delays in other decisions over the past 10 years.

Under the amendments: The president becomes the chief executive responsible to the people, the supreme spiritual leader, currently Ali Khamenei, and parliament. The new president will choose vice presidents, but ministers of his choice need to be approved by parliament. He will also take over direct responsibility for planning and the budget, previously handled by a ministry.

The supreme court may disqualify the president and parliament may impeach him by a two-thirds vote if one-third of deputies demand impeachment. The supreme leader can still remove the president from office.

Iran's supreme leader remains the highest figure in the Islamic republic with the authority to set policy and declare war or peace.

# Indians scramble for college places

## Higher education is a lottery open to abuse, writes K.K. Sharma

RAHUL Gandhi, 18-year-old son of the Indian Prime Minister, has been admitted to the prestigious St Stephen's College of the University of Delhi on the strength of a certificate he has got for proficiency in rifle shooting.

Rahul's easy acceptance by the most coveted educational institution in Delhi inevitably became the subject of a fierce controversy because his relatively low marks in secondary school examinations did not qualify him for the history honours course he is to study.

Admission to universities in India is not easy because the flood of highly-qualified students who score high marks in school is too much to cope with for universities and colleges with limited accommodation.

It helps to have political influence even though the ostensible reason for giving Rahul preference over better qualified students is the weight given to excellence in sports, even though rifle-shooting is not a recognised sport in Delhi University.

One reason for the criticism is that thousands of university applicants were rejected despite their outstanding marks in the school certificate examinations. Students with ninety per cent marks and more failed to get admission to coveted science and engineering courses.

Many switched to arts and related courses like history or economics, only to push out those who had opted for these subjects in school and obtained lower marks.

Getting admission to Indian universities has become a rat race that takes place every summer with the competition getting stiffer every year.

Each year the contest becomes tougher because the number leaving school outstrips the provision of university facilities to cater for them.

There are more than 15,000 higher secondary schools in the country and they turn out something like four million qualified students each year.

Since vocational courses are either too few or not preferred because of the competition to get any kind of university degree as part of the race to find scarce jobs, the scramble for admission to college gets fiercer even though it usually means adding to the numbers of educated unemployed.

There are about 6,500 colleges in all of India's universities with less than 3m places for all arts and science undergraduate courses. The result is a mad race to get admission forms, fill them in for four or five courses at the same time and then find influential people like politicians and highly-placed officials to help gain admission.

Political clout is often decisive. For those without such influence, it means hours of usually frustrating periods in the corridors of colleges waiting for a chance to meet principals and others who count in granting admissions.

Then comes the tense wait for lists of those admitted by colleges. Since most students apply for three or four institutions, those rejected still have a chance when the successful candidates create vacancies by turning down their second choice college offers. Yet because of the large numbers who get first division marks in school examinations at the relatively low age of 18, even the hundreds of thousands who find a place in universities cannot hope to find jobs after they complete their courses.

Educationalists feel the answer is to encourage students to enter vocational courses that will guarantee jobs rather than add to the increasing number of educated unemployed who obtain a general degree that does not qualify them for any kind of profession or specialised jobs.

At present, vocational education is usually the choice of those who fail to find admission to colleges, although educationalists claim attitudes are changing because it is increasingly being realised that merely acquiring a university degree does not guarantee a job.

This has been encouraged by the fact that there are now a number of occupations that are becoming socially acceptable and even desirable. These include hotel management and fashion designing and computer sciences and various kinds of technical courses.

There are now specialised institutions for students opting for such vocations in preference to a general degree.

Such is the scale of unemployment in the country that admission to even these increasingly involves much the same kind of scramble as for general degree courses. The reason is the same: there are too many students competing for limited number of academic places.

UK NEWS

# Amersham to expand Cardiff operation

By Anthony Moreton, Welsh Correspondent

AMERSHAM International is to expand its Cardiff plant, turning it into its biggest centre for the manufacture of life-science products.

The company – a world leader in these products – is negotiating to buy an 11-acre site. The project's cost is believed to be more than £10m.

If the deal goes through, as is expected, 200 jobs could be created by 1992, taking the number employed on the site to more than 900.

Dr. Stuart Burgess, managing director of Amersham – which was privatised in 1982 – confirmed the company was "interested in the 11-acre site that stands next to our present plant. Cardiff is one of our two production sites in Britain – Amersham is the other – and if this deal goes through it will become the most important and the largest."

Amersham is involved in leading-edge technology for DNA fingerprinting, food irradiation and AIDS testing. It makes clinical testing kits, instruments and chemicals for biology researchers.

It has also been moving into non-radioactive products, with output doubling over the past two years to about 15 per cent of the £180m turnover.

Dr Ron Loveland, director of Wintech, the technical arm of the Welsh Development Agency, said, "Expansion by such a sophisticated firm is always to be welcomed. Amersham is a very important part of the economy of Cardiff and for it to consider expansion indicates great confidence in the ability of the whole of South Wales to produce just what the company needs."

Amersham saw "a very good future in the non-radiological areas," Dr Burgess said, "and hope to expand even further."

# Business doubles spending on university research

By David Thomas, Education Correspondent

BRITISH BUSINESS has more than doubled its support for UK universities through research contracts over the past five years, making this the fastest growing component of university income, figures published today show.

As a result, contracts with British industry and commerce sustained 1,600 of the 45,900 full-time academic staff in UK universities last year.

The Government is likely to welcome this sign of growing links between British business and higher education, as well as further evidence of reduced university reliance on exchequer grants contained in figures from the annual financial report from the Universities Funding Council published today.

Money paid to universities by customers such as research councils, government departments, charities and companies for research contracts and other services generated 26 per cent of universities' income in 1987-88, as against 19 per cent five years before.

The number of full-time academic staff funded through these contracts increased by 34 per cent to 16,000 in the five years to 1987-88, while the number of staff funded by the exchequer for general teaching purposes fell by 1 per cent to 29,900 over the same period.

Exchequer grants and home student fees, the main components of automatic government support, now count for less than 60 per cent of current income in 11 universities: Birmingham, Cambridge, City, Heriot-Watt, London, Manchester Institute of Science and Technology, Oxford, Salford, Southampton, Surrey and Warwick.

Universities' total income increased by 37 per cent in cash terms to £2.708bn during the five years to 1987-88, including a 9 per cent increase in the year since 1986-87. The value of exchequer grants increased by 21 per cent and 8 per cent over the corresponding periods.

Within those totals, the value of research contracts from industry went up 140 per cent to £78m during the five years, including a 15 per cent increase between 1986-87 and 1987-88.

In spite of this fast growth contracts from British industry accounted for only 2.8 per cent of total university income in 1987-88, suggesting that there are distinct limits to the revenue which universities can expect from business.

Universities which have been particularly successful in drawing a high percentage of their income from industrial contracts include Edinburgh's Heriot-Watt (10.6 per cent), Manchester Institute of Science and Technology (8.8 per cent), Loughborough (5.7 per cent), Essex (4.9 per cent), Dundee (4.4 per cent), Warwick (4.2 per cent) and Surrey (4.1 per cent).

However, contracts from the government-funded research councils remain by far the largest type of contract income for most universities.

*Finance. University Statistics 1987-88, vol 3. Universities Statistical Record, PO Box 130, Cheltenham, Glos GL50 3SE. £10.25*

# Iveco Ford in £17m refit for new truck

By John Griffiths

THE FIRST phase of a £17.7m reorganisation of Iveco Ford's plant at Langley, Berkshire, begins this week in preparation for the manufacture of Iveco, as well as Ford Cargo, trucks in the early 1990s.

Currently, the plant makes only the Ford-designed Cargo range.

The second reorganisation phase, involving the installation of robotised paint-spraying facilities, will be carried out during next summer's annual shutdown.

This year's shutdown, now under way, has been extended to four weeks to allow for uninterrupted modification work on the assembly lines.

Iveco Ford, formed out of a 1986 merger between Ford's UK truck operations and Fiat of Italy's trucks subsidiary Iveco, is believed to have been pressured into early disclosure of its plans for the plant by labour movement studies in the adjacent areas of Slough and Ealing.

These suggested that the Langley plant, which employs about 1,500 people out of a total Iveco Ford UK workforce of 1,840, had no long-term future and was likely to face closure.

The bulk of the work under way this year is to allow for the production of another cab for the as-yet unannounced new Iveco model.

This will be linked closely to the plant's principal assembly line, which makes 60 trucks of up to 17 tonnes each day on a single shift. The plant's second line produces 15 trucks a day in the 17 tonnes-plus weight range.

Iveco Ford refused at the weekend to give details of the model planned for the plant but it is expected to be in the medium-weight ranges.

In the longer term, the Ford-designed Cargo is to be replaced by a rationalised range of trucks largely developed by Iveco. The company assumed management control and responsibility for future products at the time of the merger.

# Domestic appliance sales lower

By Christopher Parkes, Consumer Industries Editor

SUMMER HEAT and high interest rates have combined to depress UK sales of domestic appliances by about 10 per cent in the first six months of the year, according to Amdea, the manufacturers' association.

Sales of refrigerators have increased but sales of washing machines, spin dryers and tumble dryers are well down on last year. Cooker sales are down 20 per cent and heating appliance makers are also having a hard time, according to Mr Jim Collis, the association's director-general.

Sales of microwave ovens are tailing off but the dishwasher market is brighter with sales up 19 per cent.

Amdea said most of the extra business in the improving sectors had gone to importers of cheap appliances from eastern Europe. The UK industry, unhappy about cut-price shipments, is to ask the European Commission to start an anti-dumping inquiry.

## Cecil Moores dies

MR CECIL MOORES, president of Littlewoods Pools, died on Saturday night in Scotland, where he was on holiday. He was 86.

Mr Moores, born in Manchester in 1902, the son of a builder, joined his brother John (now Sir John) Moores in 1924 in running what was to become Britain's largest football pools firm.

# Government seeks EC agreement on nuclear industry

By David Green

THE UK Government is talking to the EC about the legality under European law of its proposals to protect the nuclear industry after electricity privatisation.

Officials are confident of agreement from the EC that the proposals are not contrary to its free-market legislation.

The Council for the Protection of Rural England has submitted to the EC that protection to be given to the nuclear industry is a form of state aid which is illegal.

The Government's Electricity Bill, given the royal assent last week, will require area distribution companies to contract for a minimum amount of electricity, to be set between 15 and 20 per cent of the total ordered, from non-fossil fuel sources.

This is aimed at avoiding further reliance on coal which produces about 80 per cent of the UK's electricity.

For the foreseeable future the only way the non-fossil fuel requirement can be met is by nuclear power, because existing "renewable" energy projects, such as wind turbine schemes, will only make a minor contribution.

The act also makes up to £2.5bn available to contribute to "unforeseen or uncontrollable" nuclear industry costs of reprocessing fuel and decommissioning.

The CPRE has submitted to the EC that the act's provisions are illegal.

Professor Alistair Ulph, economics adviser to Mr Michael Barnes QC, the Hinkley Point C inquiry inspector, is concerned about the apparent lack of an administrative mechanism for judging the merits of claims that specific nuclear industry costs are unforeseen or uncontrollable.

He has been told by the Department of Energy that the director general who will regulate the privatised industry on behalf of the Government and the electricity consumer will not have formal powers to judge the merit of such claims.

The Hinkley inquiry enters its last phase tomorrow with the start of final submissions.

# Reprocessing the Magnox image

## David Fishlock examines the future for eight nuclear reactors

A BRAVE attempt to rebuild the public image of Britain's Magnox nuclear reactors can be confidently predicted, now that the Government has removed them from prospectuses being drafted for privatisation of the electricity supply industry.

It is only a year since the last annual report of the Central Electricity Generating Board recorded "another year of satisfactory performance." In 1987-88, its eight Magnox stations generated more than twice as much power as its bigger and newer advanced gas-cooled reactors.

In the Government's view, although Magnox power may be uncompetitive at the current price of coal, it is cheaper than oil as insurance against disruption of coal supplies.

These are hard facts to be weighed against the wave of worrying figures emerging from the CEGB this summer, including the estimated costs of razing not only abandoned Magnox reactors but the Magnox reprocessing facilities as well. These figures, it is understood, worried the Treasury enough for the Government to announce last week that it would keep the Magnox reactors in the public sector and not privatise an asset officially seen as being in the last third of its life.

Since the CEGB was only informed of this decision at 10am last Monday, discussions have barely begun about how they might be managed post-privatisation. It has about 7,000 operating and support staff devoted to Magnox, but sometimes on sites shared with AGRs (and at Sizewell, in Suffolk, on a site with a pressurised water reactor under construction).

John Baker: 'the business needs managing well'

The CEGB is already to be split into three private organisations, with its research and other technical support staff forming – at least temporarily – a fourth company. It foresees real "people problems" with station staff it has talked into accepting privatisation, and also with communities likely to be confused by a multiplicity of nuclear operators, if Magnox generation is hived off to become a fifth company.

Moreover, "British Magnox" would be a state-owned firm with a role that could be hard to sell to its staff. In particular, it could deprive the plants of bright young people, unwilling to tie themselves to a business heading for oblivion. "We would be worried about that," says Mr John Baker, chief executive-designate of National Power. "We need all the nuclear business to be managed well for it to prosper and grow."

The CEGB's initial response is that the Government should transfer just the Magnox assets to a new state-owned agency, then give National Power a contract to manage them on its behalf, using the company's staff. The agency would sell Magnox megawatts to the private distribution companies.

The Government would also determine when each reactor should shut down, depending on safety reports and the cost of refurbishment.

However, the CEGB, in its determination to wring the best deal from Government in underwriting the liabilities of Magnox, may have badly undermined public credibility in the system. It has ignored the fact that the reactors are already amortised, and perhaps overplayed uncertainties about future costs, particularly decommissioning costs. It has already closed down the Magnox station at Berkeley, Gloucestershire, on the grounds it is too old and small to warrant further investment.

A company operating still older and smaller reactors of this type, however, is British Nuclear Fuels, with its Calder Hall and Chapelcross stations, totalling more than 400 MW of capacity. Mr Christopher Harding, the Hanson director who is chairman of BNFL, points to the deal done with North Wales Electricity Board last year to buy the output of Chapelcross.

BNFL has a stronger incentive than anyone to make a success of running Magnox for as long as safety and economic factors permit, says Mr Harding. Half of its present business comes from providing new fuel for Magnox stations and reprocessing their spent fuel.

Its executives are also upset at the way their attempts to move from the traditional cost-plus contract for fuel services, to fixed-price contracts with the CEGB, have been publicly criticised by CEGB executives for trying to underwrite their own risks.

BNFL wants to see all remaining Magnox stations operate as long as possible. "Our worry all the time is that if a Magnox station is closed, the fixed costs are spread over fewer stations, a domino effect," Mr Harding says. Several are scheduled to close in the mid-1990s.

It does not accept the CEGB view that all Magnox reactors will close by the year 2002, within a lifespan of 30 years. Its oldest reactors at Calder Hall are already 33. It is trying to convince the chief nuclear inspector that both stations are good in principle for 40 years. At the same time it is already studying the options for building a new nuclear station to replace its present reactors before the end of the century.

Another – if less likely – possibility is that the Government could use the UK Atomic Energy Authority as its agent to manage Magnox. This is the team that developed the system and still runs two nuclear generating plants of its own, totalling 350 MW capacity.

Under its new banner of AEA Technology, adopted this year, it is embarking on a programme to find appropriate commercial contracts to augment its diminishing government support.

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spending
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Domestic appliance sales lower

lear industry

image

## UK NEWS

# Union split as more dockers return to work

**By Charles Leadbeater, Labour Editor**

BRITAIN's dockers appeared irrevocably split last night after men at the eastern port of Hull voted to return to work this morning, following a similar move at Southampton in the south on Saturday.

Men at both ports are expected to end their strike by crossing picket lines made up of Liverpool dockers.

The weakening of tha national docks strike, following an end to industrial action at British Rail (BR) and the British Broadcasting Corporation (BBC), marks the downturn of a wave of industrial unrest which began to build up in the late spring.

The divisions within the Transport and General Workers' Union (TGWU) threaten to provoke the sort of recriminations which riddled the National Union of Mineworkers after the 1984-85 miners' strike, which ended deeply divided.

The prospect of Britain's largest union ending a major strike divided, will temper the renewed confidence union leaders felt after industrial action forced the BBC and BR to improve imposed 7 per cent pay offers to 8.8 per cent.

In contrast, the TGWU is fighting to retain its position within the industry, with little

Todd: under pressure after Southampton vote

prospect of getting a national agreement; and tha Southampton vote to return to work can only increase pressure on TGWU leader, Mr Ron Todd, to end the strike.

The strike was called almost three weeks ago to win a national agreement after the Government abolished the Docks Labour Scheme, which regulated employment and conditions in most of Britain's ports.

In the two remaining disputes which began this spring, talks over local authorities' 7 per cent offer to 500,000 white collar staff will resume today and negotiations aimed at ending the rolling 24-hour strikes at London Underground railway will reopen tomorrow.

However, the imminent autumn pay round, when about one third of agreements are due for renegotiation, is likely to be marked by renewed tension.

The recent rise in the level of pay settlements, following increases in inflation and interest rates is likely to put public sector employers under intense pressure.

Engineering union leaders report growing support for industrial action this autumn at 12 leading engineering companies, over their claim for a reduced working week.

Tha National Association of Port Employers (Nape) said the return of 450 dockers at Southampton, 300 at Hull and 40 at Fleetwood, Lancashire, would mean 3,500 dockers were working normally, with 3,100 on strike. Mr John Connolly, the TGWU's national docks secretary, said there were about as many dockers at work as on strike.

About 2,700 of the 9,221 for-

Connolly: confident that strike will continue

mer registered dockers have accepted redundancy or been dismissed.

Thirty-seven of the 61 ports which were covered by tha National Dock Labour Scheme will be working normally today, according to port employers. Four ports – Liverpcol, Bristol, Middlesborough and Ipswich – form the core of strike.

Leaders of Liverpool dockers expect the Mersey Docks and Harbour Company to issue warnings of dismissals this week following the return to work at Southampton, which is Liverpool's main competitor for container traffic. Liverpool stewards are angry that dockers in Southampton appear to be close to signing a local agreement which has been under discussion for sometime.

Mr Connolly said he expected dockers at Bristol to reaffirm their support for the strike at a meeting this morning.

The TGWU's general executive council will meet tomorrow, along with its 11 regional secretaries, senior national officials and the national docks committee. Mr Connolly said he was confident all would reaffirm the decision taken at Friday's conference of docks delegates, to continue the strike to win reinstatement for 140 London dockers, including 16 shop stewards who were made redundant last week.

However, stewards at some of the ports on strike believe right-wingers on the executive, as well as some national officials and regional secretaries, will call for an orderly return to work.

Several smaller ports, including Leith in Scotland, are likely to return as well.

# Companies act to tempt electronics graduates

**By Terry Dodsworth**

GEC-MARCONI, leading electronics group, is offering to snbsidise mortgages for recruits in sonth-east England, while the telecommunications gronp, STC, has plans to recruit graduates in continental Europe to counter increasing shortages of electronics engineers.

STC, which also owns the ICL compnter company, has launched a programme to recruit abont 30 graduates in France and West Germany.

The project is partly to help prepare the gronp for the single Enropean market in 1992 but will also help STC meet its target of about 500 graduate recruits this year.

Motorola, the US chip and telecommunications company, is similarly recruiting widely throughont Europe, although about 45 per cent of its gradnates come from the UK.

Marconi also has an innovative plan to retain women who want time off in mid-career. It is offering to pay their subscriptions to professional nrganisations for a five-year period when they are off work, while inviting them back to the company for four weeks a year so they can keep up with technology.

These moves underline the rapid tightening in the market for graduates in electronic and technical disciplines. Only four years ago, companies had little difficulty in finding technical graduates.

This year, however, most are still well short of their target and expect to fill their quota as late as autumn – six months nr so later than usual. The position, they say, is likely to worsen over the next few years because the snpply of electronic engineering graduates will remain stable as demand for their services grows by about 6 or 7 per cent a year.

The problem is becoming particularly acute for Marconi, which takes about 450 electronics gradnates a year, because it has a large number of sites in sonth and south-east England, where the high price of housing has become a serious deterrent to potential new recruits.

# Old people pose employment paradox for Western nations

**By John Gapper**

AN EMPLOYMENT paradox facing western industrialised nations is that the number of older people will grow strongly in the next 25 years, but the number of older workers is not expected to rise as fast and will even fall in some countries.

One of the clearest labour market trends of the past decade in countries belonging to the Organisation for Economic Co-operation and Development has been the decline in workforce participation among older workers.

In Britain, the shake-out of manufacturing employment in the early 1980s contributed to a sharp fall in the participation rate of men aged between 55 and 64, from 83.2 per cent in 1979 to about 67.1 per cent in 1987.

In France, the fall was from 69.9 per cent to 47.6 per cent and in the Netherlands it was from 65.3 per cent to 40.7 per cent. In the Scandinavian countries, participation rates remain higher.

The fall has blurred the distinct boundary between work and retirement. In 1987, 12 per cent of jobless British men aged between 55 and 59 said they were retired. Others defined themselves as unemployed, or no longer seeking a job.

A second effect has been to narrow the gap in workforce participation between older men and women. In France, the gap for those aged 55 to 64 fell from 16.6 per cent in 1979 to 8.4 per cent in 1987.

This growing nncertainty about whether older people are workers or pensioners means that the attitude of employers towards them in next decade is likely to be crucial

If employers turn towards them to compensate for the fall in the number of young people, participation rates will probably rise again. However, social trends towards earlier retirement may act against such a development.

The expectations of OECD countries about future participation rates vary. Britain is one of the clearest examples of a country that will rely more heavily on older workers: the participation rate of of those aged between 55 and 64 is expected to rise from 50.7 per cent in 1987 to 53.5 per cent in the year 2000.

# Britain ranks low on EC wage scale

**By John Arlidge**

BRITAIN has the second-lowest minimum wage as a percentage of average earnings of all 12 European Community countries, according to a report published today.

The survey, by the Low Pay Unit, says the UK ranks beside Greece, Portugal and Spain when earnings are adjusted for comparative living costs.

The monthly minimum rate in the UK, says tha survey, is £338 compared with £653 in West Germany, £529 in the Netherlands, £498 in Luxembonrg, £495 in Belgium and £411 in France.

The number of workers earning less than the Council of Europe's "decency threshold" of 68 per cent of mean earnings rose from 7.8m in 1979 to 9.9m last year. The report concludes that a statutory, national minimum wage is needed to bring the UK into line with other European countries, especially if the 1992 single European market leads to competitive pressure to undercut pay and employment rights.

Charles Leadbeater adds: About 45 per cent of nurses in inner London have second jobs mainly for financial reasons, according to a survey of more than 2,000 members of the Royal College of Nursing, published today.

The survey, conducted by the Institute of Manpower Studies at Sussex University between 1986 and 1988, found 52 per cent of nurses in the South East under 35 years old were very dissatisfied with their pay.



NOTICE OF REDEMPTION

To the Holders of

# A/S Eksportfinans

**13⅜% Sinking Fund Debentures Due 1992**

**CUSIP No. 282645AA8***

NOTICE IS HEREBY GIVEN, pursuant to the provisions of the Indenture dated as of June 15, 1982, as supplemented (the "Indenture"), between A/S Eksportfinans and United States Trust Company of New York, Successor Trustee (the "Trustee"), that $60,000,000 principal amount of A/S Eksportfinans 13⅜% Sinking Fund Debentures Dua 1992 (the "Debentures") has been selected for redemption on September 1, 1989 at a Redemption Price equal to 100% of the principal amount thereof in accordance with the Sinking Fund provided for by the terms of the Debentures and as specified in Section 1203 of the Indenture. The following are the serial numbers of the Debentures which will be redeemed in whole or in part:

**The certificate numbers of the Bearer Debentures in the principal amount of $5,000 bearing the prefix C to be redeemed in whole:**

| | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2003 | 2008 | 2018 | 2024 | 2030 | 2038 | 2046 | 2053 | 2057 | 2066 | 2073 | 2081 | 2088 | 2094 | 4002 | 4010 | 5939 | 5946 | 5952 |
| 2004 | 2010 | 2018 | 2025 | 2031 | 2041 | 2047 | 2054 | 2061 | 2068 | 2075 | 2083 | 2089 | 2096 | 4003 | 4011 | 5942 | 5958 | 5964 |
| 2005 | 2013 | 2020 | 2026 | 2033 | 2044 | 2048 | 2055 | 2063 | 2069 | 2077 | 2084 | 2090 | 2098 | 4005 | 4013 | 5943 | 5959 | 5966 |
| 2006 | 2014 | 2023 | 2027 | 2037 | 2045 | 2051 | 2056 | 2065 | 2071 | 2078 | 2085 | 2092 | 2099 | 4006 | 4024 | 5944 | 5961 | 5967 |

**The certificate numbers nf the Registered Debentures in the principal amount nf unlimited bearing the prefix R to be redeemed in whole or in part:**

| Certificate Number | Amount Called | Certificate Number | Amount Called | Certificate Number | Amount Called | Certificate Number | Amount Called | Certificate Number | Amount Called | Certificate Number | Amount Called |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 3901... | $ 8,000 | 3905... | $12,112,000 | 3919... | $1,000,000 | 3922... | $500,000 | 3925... | $500,000 | 3928... | $100,000 |
| 3903... | 279,000 | 3906... | 40,441,000 | 3920... | 1,000,000 | 3923... | 500,000 | 3926... | 100,000 | 3929... | 100,000 |
| 3904... | 280,000 | 3918... | 1,000,000 | 3921... | 1,000,000 | 3924... | 500,000 | 3927... | 100,000 | 3930... | 100,000 |

Subject to the receipt of required funds by Bankers Trust Company as Paying Agent, the Debentures or portions thereof so designated for redemption will become due and payable, at 100% of the principal amount thereof, upon presentation or surrender thereof, on or after September 1, 1989 at the office of Bankers Trust Company, Corporate Trust and Agency Group, 123 Washington Street, First Flcor, New York, New York. If by mail, the Debentures shonld be sent to Bankers Trust Company, Corporate Trust and Agency Group, P.O. Box 2579, Church Street Station, New York, New York 10008 or in either such case to Bankers Trust Company, London, subject to any applicable laws or regulations in the country where the office is located.

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**A/S Eksportfinans**
*By:* United States Trust Company of New York, *the Trustee*

Dated: July 31, 1989

**IMPORTANT TAX INFORMATION**

**Please read this notice carefully**

Under Federal income tax law, paying agents may be required to withhold 20% of payments to holders presenting their Debentures for redemption or for payment at maturity if such holders have failed to furnish a taxpayer identification number to the Paying Agent certified to be correct under penalties of perjury (or that such holder is awaiting a taxpayer identification number). Certification may be made to the Paying Agent on a Letter of Transmittal obtained from said Paying Agent, which should be completed and returned with the called Debentures.

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# Imports of coal may change plan for 'superpits'

**By Maurice Samuelson**

PLANS for two Midlands "superpits", which British Coal wants to build at a cost of nearly £1bn, may be reviewed if the electricity industry switches to imported coal or other fuels after it is privatised.

The pits are the £400m mine at Asfordby, Leicestershire, which might have to be mothballed for a short time in spite of initial expenditure of £120m, and the £500m project at Hawkhurst Moor, Warwickshire, on which the corporation is awaiting the result of a planning inquiry held earlier this year.

Together they would provide new jobs for 3,200 miners as well as hundreds of construction jobs during the 1990s. They would incorporate the new flexible working practices which British Coal wants to bring into the industry.

The Asfordby mine, due for completion in June 1993, is designed to deliver about 4m tonnes a year to power stations. Most of the higher grade fuel from Hawkhurst Moor would go to other industries but 40 per cent would go to power stations, the biggest single customer.

The extent of the threat will become evident with the results of British Coal's negotiations with National Power and PowerGen, the private successors of the Central Electricity Generating Board, over the commercial contracts for supplying coal to power stations after privatisation.

Sir Robert Haslam, British Coal chairman, has expressed scepticism about threats that 15m tonnes of business could be lost if more electricity is generated in coastal plants with imported fuel at the expense of older inland stations supplied by the Midlands collieries.

However, even a smaller drop in British Coal's business, coupled with ambitious plans for a chain of gas-fired power stations in East Anglia, might cause a reappraisal of its investment programme.

The first test will be at the annual review of the Asfordby project in October. Having spent £120m on surface facilities and on its two shafts, British Coal's Board will decide whether to start building the roadways into the coalfield or to mothball the whole project, pending an improvement in its commercial prospects. Another option might be to trim back the underground development work by delaying costly tunnelling through rock while concentrating on tunnelling through easier soft coal.

At present Asfordby is due for completion in June 1993. Delays would cause considerable embarrassment for British Coal which has signed a controversial agreement with the Union of Democratic Mineworkers to employ 1,400 miners and operate for six days a week.

The Hawkhurst Moor colliery would employ 1,800 miners. Situated in the narrow green belt between Coventry and Birmingham, it has been strongly opposed by local villagers.

Even if British Coal won the planning inquiry, it is not certain that the new Environment Secretary, Mr Christopher Patten, would uphold the inspector's decision. There are now the additional doubts created by electricity privatisation as well as the less immediate plans that British Coal should itself be sold.

# MoD offers Saudis more investment proposals

**By Victor Mallet**

THE Ministry of Defence has announced three more proposals for British investment in Saudi Arabia as part of a £1bn offset programme tied to British defence sales, bringing the total number of investment proposals to five.

Under the three new suggestions submitted by the ministry's Offset Office to the Saudi authorities:

- Royal Ordnance could help develop the infrastructure for Saudi Arabia's defence industry on a joint basis using the latest technology.
- Technicare International and Yusuf Bin Ahmed Kanoo, a Saudi company, could cooperate in setting up training centres for computer operators in the Kingdom.
- A joint venture between Fryma Fabrics and Nafa Enterprises of Riyadh could establish a plant in Saudi Arabia to make polyethylene yarn and tape, and to knit yarn into netting for agricultural purposes.

The three proposals, in addition to those already announced involving participation in an aluminium smelter and in a missile maintenance facility, may help to allay British fears that an unsuccessful offset programme would sour the whole Al-Yamamah project. The two-stage arms deal, which includes the sale of Tornado aircraft, may be worth more than £15bn. British Aerospace is the prime contractor and made the first two investment proposals.

"Initial Proposals four and five are the first that are entirely civil in nature and do not include an Al-Yamamah contractor among the prospective partners," the Ministry of Defence said.

"They clearly demonstrate that the Al-Yamamah Economic Offset Programme is not limited to defence sector projects or Al-Yamamah contractors but is relevant to all companies with commercially viable and appropriate projects."

The Offset Programme – insisted on by Saudi Arabia – is designed eventually to generate £1bn of British investment in the Saudi economy, equivalent to a quarter of the value of the new hardware sold by Britain. All five investment proposals are still under discussion.

# Getting ahead without the old tit-for-tat

**Alice Rawsthorn** charts the decline of a gent's most functional fashion statement

WHENEVER anyone outside Britain is asked to imagine the archetypal British man, they almost invariably think of a traditional City gent in his sober suit, with a neat umbrella and natty bowler hat.

Such an image is scarcely compatible with the sharp-suited young men who fill the streets of the City today. They are more likely to be brandishing a portable phone than an umbrella and they would never, ever wear a bowler hat.

But in other countries the stereotype of the bowler-hatted British businessman is as salient as ever. And, although it is almost impossible to spot a bowler in the City these days, there are still a handful of hat shops and factories in the business of making and selling bowler hats.

The story of the bowler began in early 1850s London, when Mr William Coke, a gentleman farmer from Norfolk, asked James Lock & Co, an old established hatter in Piccadilly, to make a hard hat for the gamekeepers who worked on his estate.

Lock designed a new style of domed hat. The hat was made by a factory at Southwark in south London owned by two brothers, Thomas and William Bowler. When the hats were finished Mr Coke visited the shop and tested their strength by jumping on them.

The hats passed the test and Lock has sold them ever since, calling them Cokes, in deference to their first customer. The Bowler brothers then started to sell their own version of the hard, domed hat and the bowler hat was born.

Originally the bowler was worn by rugged, rural types like Mr Coke's gamekeepers, who needed a hard hat to protect their heads from hanging branches when riding. But by the late 1800s it had become fashionable to wear a bowler around town.

The bowler was popular among the legal profession. By the 1920s it was commonplace for partners at the top of a firm of solicitors to wear bowlers, for the senior clerks to sport homburgs, while the juniors wore trilbies.

Bowlers were worn by brokers and bankers in the City and were *de rigueur* for off-duty officers of certain army regiments. In the mills and shipyards of northern England, the foreman would almost always wear a bowler hat.

In the 1920s and 1930s when the bowler was in its heyday, some 500,000 bowlers rolled out of the hat factories in and around the town of Stockport near Manchester.

But after the Second World War, the bowler fell from favour. Men had started to dress less formally, while the increased use of cars meant people no longer needed to wear hats to keep warm.

The Stockport hat factories fell into the doldrums as sales dropped dramatically. One by one they were all bought out by Christy & Co, long established as the biggest hat maker in Britain.

Immediately after the war, Christy employed 3,500 people. Today it has a workforce of fewer than 350 making all sorts of hats: toppers and trilbies, as well as bowlers. But Christy is still in business, still in private hands and still profitable. Its Stockport factories dominate the world market for bowler hats.

The method of making bowlers has hardly changed since the Bowler brothers began in the 1850s. It is a painstaking process involving nearly 50 different steps, almost all of them done by hand.

The bowler is constructed from the unseemly-sounding combination of rabbit fur – which is pressed into shape – and insect excrement, or shellac, to stiffen the fur. It takes Christy nearly eight weeks to complete a hat.

Christy has a thriving export business. It sends regular supplies to France, where grey bowlers are worn, instead of top hats, at the races. There is even a small, but steady demand for white bowlers from Nigeria, where tribal chiefs still sport them as a legacy of colonialism.

In recent years there has been a modest revival in demand from the east coast of the US. The bowler is also beginning to catch on in Australia.

Christy's chief customers in Britain are the traditional hatters along the streets of London's Piccadilly. James Lock still sells bowlers, as do Edward Bates and Herbert Johnson. The larger department stores, such as Harrods and Selfridges, also stock them. Many of the hatters "finish" the bowlers by moulding them specially to fit each customers' head.

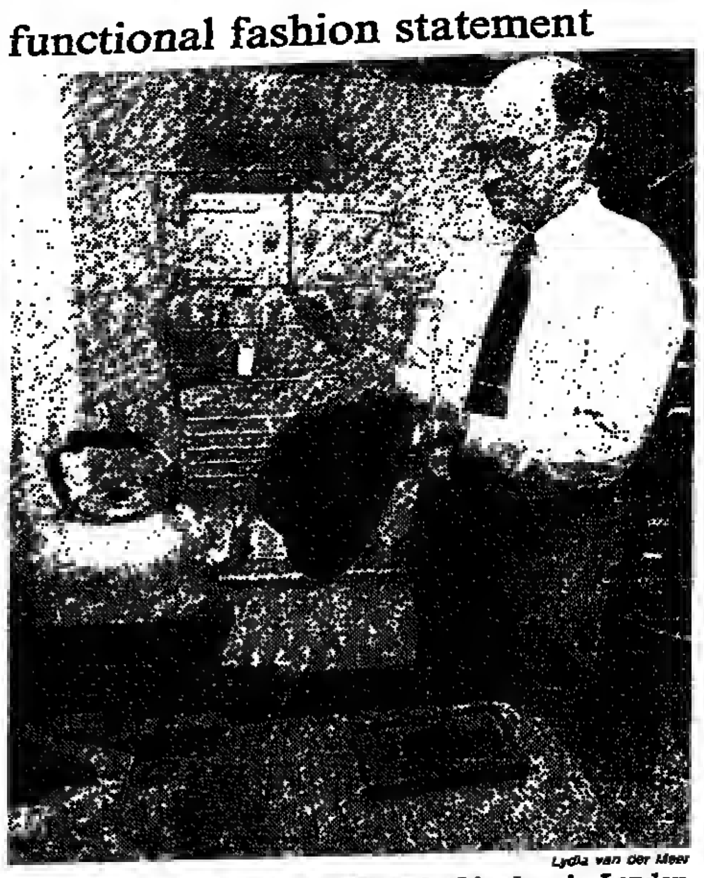
Bowlers are still used in the country. They are often worn for riding and are regulation wear for judges at equestrian events and country shows.

The occasional bowler is still to be seen in the law courts and even around army barracks, but there are very few bowlers left in London's banks and broking houses. It appears the stereotype of the City gent and his natty bowler hat has gone for good.

**Everybody - resident, expatriate, or foreigner - has images of Britain: pictures that spring to mind when one thinks of the country and its way of life. During the holiday period, FT writers will look at the reality behind some of the images. Today, in the first of the series, we examine one of the most British of symbols.**

IMAGES OF BRITAIN

The bowler hat



Lydia van der Meer

**A bowler being finished at James Lock's shop in London**

# Abbey tops building society league table

**By David Barchard**

ABBEY NATIONAL, the former building society which recently converted into a bank, and Cheltenham & Gloucester, emerge as the stars of the building society world in a league table of the industry, published today.

The table, prepared by Mr John Wriglesworth, building societies analyst at Phillips & Drew, shows there is little relationship between a building society's size and its financial performance.

"Two of the largest four building societies are in the bottom five places," says Mr Wriglesworth, "while two of the smallest three societies in the top 15 are among the top five."

Mr Wriglesworth has selected 12 key financial ratios by which to assess societies. These range from pre-tax profits as a percentage of capital, through to market share indicators, management expenses and growth in assets.

The report is being closely watched this year, with several of the most profitable societies aware they are being stalked by possible predators among foreign banks and insurance companies. No society has yet chosen to shed mutual status and merge with a larger group, although several of the top 20 are believed to considering the possibility.

Being ranked in a league table is an unfamiliar experience for building societies, which until recent years had a pecking order clearly defined by asset size. Several societies have prepared press statements to account for their showing in the table, though the report itself incorporates a brief statement by each society on its strategy and performance last year.

Halifax, the largest society, comes sixth in the table for the second year running. Nationwide Anglia, the third largest society, comes 14th out of 15, while Woolwich Equitable, the fourth largest society, comes only one place higher.

Town & Country, the small London-based society which topped the table last year, has fallen to joint third place with Alliance & Leicester, the fifth largest society which is widely thought to be close to announcing it will follow Abbey National with a stock market flotation.

The poorest performance comes from Bristol & West, the 11th largest society, which last year incurred heavy losses in the gilts market.

It has dropped eight places since last year to come bottom.

Mr Wriglesworth predicts that Bristol & West is likely to do better in the current year. He also identifies Yorkshire as the most rapidly improving society.

*UBS Phillips & Drew: Building Societies Research; The Major Players, by John Wriglesworth*

**1988 Building Society Performance**

| | RANK BY Position 1988 | Asset size | Position 1987 |
|---|---|---|---|
| Abbey National | 1 | 2 | 2 |
| Chelt & Gloucester | 2 | 9 | 3 |
| Alliance & Leicester | 3 | 5 | 5 |
| Town & Country | 3 | 15 | 1 |
| Yorkshire | 5 | 13 | 9 |
| Halifax | 6 | 1 | 6 |
| Northern Rock | 7 | 14 | 4 |
| Bradford & Bingley | 8 | 8 | 8 |
| Leeds Permanent | 9 | 8 | 11 |
| National & Provincial | 10 | 7 | 13 |
| Britannia | 11 | 10 | 14 |
| Birmingham Midshires | 12 | 12 | 10 |
| Woolwich Equitable | 13 | 4 | 12 |
| Nationwide Anglia | 14 | 3 | 15 |
| Bristol & West | 15 | 11 | 7 |

Alliance & Leicester and Town & Country are equal third

# Construction sector pause forecast

**By Rachel Johnson**

THE BUILDING industry is due to "pause for breath" next year, after a period of sustained and rapid growth, the Building Employers Confederation warned yesterday.

The BEC's summer state of trade inquiry gives the first real signs that eight successive years of growth will end, with private house building set to be particularly hard hit.

The slowdown in the industrial and commercial sectors could be the prelude to a forthcoming down-turn in the private, non-residential building sector, the inquiry says.

Rising interest rates have compounded the chances of further recession, while the significant slowdown in enquiries may result in lower tender prices, in spite of the recent acceleration in labour costs.

Output growth in all sectors appears either to have stagnated or fallen in "a distinct slowdown in growth in the second quarter of 1989 across virtually the whole country.

"The outlook for 1990 is not inspiring," the BEC inquiry states. There had been a marked deceleration in the number of companies reporting flows of enquiries for new work.

"The possibility of a recession, albeit a minor one, cannot now be ignored," the inquiry says. However, the short-term employment prospects had been brightened by the expectation of plenty of building site work this autumn.

Mr Peter Rainbird, BEC chairman, said: "The scale and spread of the slowdown in growth . . . points clearly to a halt to this remarkable run of growth in output." If interest rates were to edge downward later in the year, this could help to restore confidence among building firms, he said.

*The BEC State of Trade Inquiry is available on annual subscription of £50, from the Economic and Political Affairs Dept, BEC, 82 New Cavendish ST. London W1M 8AD.*

# IBA awards final batch of local radio franchises

**By Raymond Snoddy**

THE FINAL batch of four new commercial local radio station franchises is being announced today by the Independent Broadcasting Authority – virtually completing its plan for 21 new "incremental" stations in areas already served by independent local radio.

The Birmingham VHF/FM, which attracted 15 applicants, went to Buzz FM. A franchise for a medium wave station, serving Gatwick and Heathrow Airports – for which there were six applicants – went to Airport Information Radio.

South London Radio has been awarded the franchise for an ethnic VHF/FM station covering Brixton, and Independent Radio Thamesmead won the Thamesmead VHF/FM franchise. There were 32 applicants for these two greater London franchises and the IBA is looking at whether further frequencies could be made available for the London area.

Apart from a contract for West Lothian, to be reconsidered by the authority in October, the wave of incremental stations – including a jazz station for London – is complete. A total of 163 groups applied for the 21 licences.

The new stations are being set up under existing legislation and their contracts will run to December 1994, when the last of the existing IBA commercial radio contracts expire.

A broadcasting bill, to be introduced in parliament later this year, will set up a separate Radio Authority, responsible for overseeing a large expansion of commercial radio.

# Companies warned of directory racket

CONTINENTAL fraudsters are once again attempting to take advantage of Britain's holiday season, according to the Confederation of British Industry.

A spate of bogus invoices and order forms from the "publishers" of phoney telex and facsimile directories was on its way to UK companies in the hope that companies would pay up, the CBI said.



# Rural body attacks move to relax planning control

**By Bridget Bloom, Agriculture Correspondent**

THE Government's proposals to exempt landowners from planning permission on a range of non-farming activities have been attacked as insensitive and indefensible by the Council for the Protection of Rural England.

In a response to a consultative paper embodying the proposals, the independent conservationist body says they could have an immensely damaging impact on the countryside, weakening the planning system which has helped protect it since the war.

The proposals, published last May and intended for legislation in the next parliamentary session, are aimed at encouraging diversification away from agriculture. At present farmers may erect most agricultural buildings without planning permission.

The council notes: "The very suggestion that these activities might be outside effective planning control demonstrates an extraordinary insensitivity to public expectations of the planning system and the future of the countryside."

It challenges the Government's assumption that the planning system impedes legitimate diversification by farmers and landowners.

The council says the Government's own studies and statistics show that planning controls are "more of a hurdle that prospective developers must clear than a barrier to development."

It also accuses government ministers of reneging "in spirit if not in letter" on "specific assurances within only the last 18 months that the objective of encouraging farm diversification would not be accompanied by a relaxation of planning control."

The council considers that existing planning controls on farm activities are already too lax, with many recent agricultural buildings, for example, having an "appalling impact" on the countryside.

*Permitted Use Rights in the Countryside. CPRE, 25 Buckingham Palace Road, London SW1.*

# Strikes delay arrivals and departures at Gatwick

**By Rachel Johnson**

HOLIDAYMAKERS heading south to the Mediterranean resorts from Gatwick waited from two to four hours for their flights yesterday, as a strike by French air traffic engineers coincided with one of the busiest holiday weekends of the year.

Meanwhile, a work-to-rule by immigration officers at the airport's south terminal imposed even longer average delays on those flying into the airport.

Movement in the terminal became impossible as incoming passengers were forced to queue for at least three hours before passing immigration controls.

Airlines had to clear a backlog of flights caused by the French engineers' action and a spate of technical problems over the weekend. One Monarch flight from Gatwick to Santiago, northern Spain, was delayed eight and a half hours, while two Air Zimbabwe Boeing 707s have delayed some 300 passengers by up to three days.

At Manchester, where 6,000 passengers had to spend Saturday night in the concourse, there were average delays of two hours. Long delays were reported at East Midlands airport, near Derby.

At other UK airports the picture was slightly better. Some Glasgow and Birmingham flights were leaving on time, with maximum delays of three hours.

Passengers at Heathrow waited an average of an hour to leave. The airport's operations room said the weekend's backlog meant scheduled flights were missing their departure slots, but the airport was still experiencing record air traffic movements of about 1,000 a day.

Delays – but not congestion – are expected to ease today as the French strike was promised to end at midnight last night.

# New Education Secretary may face cash problems

**By Michael Cassell, Political Correspondent**

THE SCALE of the challenge facing Mr John MacGregor, the new Education Secretary, was underlined yesterday with suggestions that Mr Kenneth Baker, his predecessor, told cabinet colleagues earlier this month that his education reforms were threatened by lack of cash resources.

A report that Mr Baker had accompanied his last spending bid to the Treasury with a memo outlining his concerns to other senior ministers and calling for significant, additional cash in order to improve teachers' pay and teaching facilities was described as "very garbled" by the Department of Education and Science.

It said that there had been no memo of the sort mentioned, although it was not being specifically denied that Mr Baker's concerns along the lines reported had been conveyed to cabinet colleagues.

Mr MacGregor takes over at a time when the Government has acknowledged teacher shortages in several areas of the country.

It is understood Mr Baker believes part of the solution lies in a restructuring of salaries, which would not be effective without significant pay rises.

The Department said the question of teachers' pay would be considered by ministers in the early autumn.

Mr MacGregor was formerly Minister of Agriculture, Fisheries and Food. Prior to that he was Chief Secretary to the Treasury where he won support from Mrs Thatcher by keeping departmental spending on a tight rein.

Mr Jack Straw, Labour's education spokesman, is to write to Mr MacGregor and challenge him to make more details known of Mr Baker's parting message to colleagues.

# Low funding of transport in London criticised

**By Ralph Atkins, Economics Staff**

LONDON receives a disproportionately small share of government spending on transport, the London Chamber of Commerce and Industry says in a report published today.

Businesses, residents and commuters in the capital pay nearly a fifth of total central government taxes but account for only 13 per cent of spending on transport, the study finds.

The chamber says London's rail and Underground system, which carries about 75 per cent of commuters into the central area, has a "crucial role" in helping the economy grow. But new lines and improvements could not be wholly financed by fare income.

The report counters government arguments that extra funding for transport improvements in London would mean money raised from taxpayers in other parts of the country being used to subsidise Londoners. It says London's share of national tax revenues will rise with the introduction of the non-domestic rate system.

*Economic report and survey, July 1989. Economic Research Unit, London Chamber of Commerce and Industry, 69 Cannon St, London EC4N 5AB. £13 non-members.*

# CONSTRUCTION CONTRACTS

## £55m prison will house 620

The Government's Property Services Agency, on behalf of the Home Office, has placed a £55.7m contract for a new prison, Swaleside II, with MOWLEM BUILDING. The company completed the first part of the project in December 1987.

The Category B prison, which will take 620 inmates, will be built at Eastchurch, on the Isle of Sheppey in Kent.

The design, by the Building Design Partnership, is based on the one developed by the firm for the prison being built at Bullingdon in Oxfordshire.

The prison will comprise: four house blocks with single and double cell units; a workshop, segregation block, education and chapel blocks; a physical recreation area; kitchen and stores; together with reception, discharge, administration and visiting facilities, and a main gate-house entry building. These will be enclosed in a 5.2 metres high concrete security wall.

Construction consists of a mixture of reinforced concrete and steel-frame structures with forticrete blockwork cladding and steel profiled roofs.

Included in the contract is a 1.1km single carriageway by-pass around the village of Eastchurch, and Mowlem will re-contour the agricultural land surrounding the new prison. Work has started, and is due for completion in October 1991, a contract period of 27 months. The project is being managed by PSA's directorate of civil projects, prisons division.

## Southwark prepares for poll tax

WALTER LAWRENCE PROJECT MANAGEMENT has been awarded a £3.5m management contract to convert and refurbish the Wood Mill building at Southwark public works depot, Neckinger Road, by the London Borough of Southwark to provide office accommodation for poll tax and housing benefit staff.

The conversion and refurbishment work to the 1930's three-storey building will include construction of a three-storey link to the adjacent engineering building; the addition of a third floor of offices at roof level with a new pitched roof; the provision of a covered entrance and lobby areas; new lifts and lift shaft, installation of air conditioning and energy management systems and provision of trunking and ducting for computer terminal and telephone systems.

## Chorley town centre redevelopment

SOUTHERN & CITY PROPERTY GROUP has been selected by Chorley Borough Council as its partner in the town centre redevelopment scheme. Working with Mowlem Property Developments, it has been appointed to build the £30m Tate Walk scheme which will provide 142,000 sq ft traffic-free, covered retailing complex.

The proposal to develop a scheme of 29 modern shop units together with a major store, associated car parking and a public house, followed a public exhibition.

The Tate Walk development will extend to about 94,000 sq ft of ground floor retail space linking, by a central glazed street, the refurbished covered market, the major store, the car parking and a rebuilt 102-stall Flat Iron Market.

There will be 803 car parking spaces, of which 360 will be in a multi-story car park hidden behind retailing frontages. Provision is made for the needs of the disabled and public toilets will be provided.

Construction will begin in September 1990, with the development opening for trading in May 1992.

## Overseas work for Taylor Woodrow

Three contracts worth over £16m have been awarded to TAYLOR WOODROW INTERNATIONAL, two in Africa, the other in Kuala Lumpur, Malaysia.

The first, valued at £7.5m, involves construction of buildings on the campus at the University of Botswana in Gabarone. This includes a chemistry block, an earth science block, a biology block and a lecture block totalling over 12,000 sq metres. TWI will also undertake extensive alterations.

The second African project, at Kosti Bridge in the Sudan andworth some £1m, involves protective work to the bridge structure. This comprises the installation of steel tubular piles with steel bracing and concrete dolphins. There is also provision for a warping pontoon and additional reparation work to the bridge. Client for the project is the River Transport Corporation of the Government of Sudan.

Taylor Woodrow International has won a contract from the Malaysian government for construction work at the Penang General Hospital.

It will install a central services block, sprinkler and hydrotherapy pump houses, and covered linkways. With an estimated value of over £7.3m, work is due for completion in mid 1991.

## Building Llanidloes by-pass

ALFRED McALPINE CONSTRUCTION has been awarded a £4.5m contract by the Welsh Office Highways Directorate to construct the Llanidloes by-pass in Powys.

The 4.1km single 2-lane carriageway will run from Rhos-y-Pentref, following the line of the old railway to the east of Llanidloes and rejoining the A470 to the north of the town.

Junctions will be provided north and south of Llanidloes and bridges will be constructed to carry Bryndu Road and Nant Bryndu Road over the by-pass. A pedestrian footbridge will be constructed adjacent to the old railway station.

The scheme is due to start in July and be completed within 18 months.

## £11m orders for services companies

RASHLEIGH PHIPPS ELECTRICAL, a Trafalgar House company, has secured contracts worth over £7m. The largest, valued at £2.6m, is for all the electrical services at an office development for Gable House Estates at Farringdon Court, adjacent to Farringdon Station.

At Kensington Palace Gardens, the company has been awarded a £1.4m contract from Regalian Properties. Work will involve installation of all the electrical services to the luxury apartments, being constructed by Bovis Construction adjacent to the Royal Palace in the Gardens.

Working for associate company Willett, Rashleigh Phipps has won a contract valued at £900,000 for the installation of electrical services to two office units, being constructed at the Horsham Business Park, for Brixton Estates.

CLARK & FENN, incorporating G. Jackson & Sons, a Trafalgar House specialist subcontracting company, is undertaking a £4.2m, fast-track supply and installation contract at Broadgate for County NatWest and Bovis Construction.

It is the largest single contract of its type being carried out in the City at present. Here, from the ground to the 12th floor, Clark & Fenn are installing suspended ceilings, luminaries and ventilation fittings which will provide tenants with an integrated illumination and ventilation ceiling system.

In total, Clark & Fenn will fit over 30,000 sq metres of suspended ceiling tartan gird and metal plank tiles. Incorporated in the contract are all the associated air conditioning, ventilation and lighting systems which are housed in the ceiling void and grid system. Completion is scheduled for September.

# LEGAL NOTICES

TO ALL HOLDERS OF PENGO FINANCE, N.V. CLASS A AND CLASS B NON-INTEREST BEARING CONVERTIBLE SENIOR SUBORDINATED GUARANTEED DEBENTURES 1991 AND PENGO FINANCE, N.V., 8% PERCENT CONVERTIBLE SUBORDINATED GUARANTEED DEBENTURES 1995 (COLLECTIVELY THE "DEBENTURES").

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

IN RE
PENGO INDUSTRIES, INC., Debtor. } CASE NO. 488-41303-MT-11 CHAPTER 11

NOTICE OF ORDER APPROVING DISCLOSURE STATEMENT AND OF TIME FOR ACCEPTING OR REJECTING PENGO INDUSTRIES, INC. PLAN OF REORGANIZATION

The Bankruptcy Court for the Northern District of Texas, Fort Worth Division, has entered an Order on July 20, 1989, approving a Disclosure Statement under Chapter 11 of the Bankruptcy Code that was filed by Pengo Industries, Inc. ("Pengo") on May 26, 1989, as modified, relating to the Pengo Plan of Reorganization ("Plan") of even date, as modified. The Plan along with the Disclosure Statement, is presently being transmitted to all creditors and interest holders for voting to accept or reject the Plan. This notice is to serve as information pertaining to the Plan voting process for holders of the Debentures.

1. DESCRIPTION OF THE PLAN:
The Plan provides that holders of Debentures will be treated as creditors in Class 5, which class includes the majority of unsecured creditors. Debenture Holders are included in Class 5 on the basis of Pengo's guarantee of the Debentures. Based on the amount of their respective claims, Creditors in Class 5 will receive a prorata share of a total of $1,000,000 in cash and 203,504 shares of New Common Stock to be issued by the reorganized Pengo. Subordination provisions of the respective indentures covering the Debentures will not be recognized in distributions under the Plan.
If the Plan is confirmed by the Bankruptcy Court, all rights of the Debenture holders insofar as the Pengo guarantee of the Debentures is concerned will be determined by the provisions of the Plan, whether a vote is cast in favor of, or against or no vote is made in respect to the Plan. The Plan requires that a Debenture holder submit the Debenture(s) to the indenture trustees for the respective issues on or before one (1) year from the Effective Date, as defined in the Plan, for any distributions to be made under the Plan.

2. OBTAINING A BALLOT AND VOTING:
In order to obtain a copy of the Plan, Disclosure Statement and Ballot, a holder of a Debenture must contact:
Akin, Gump, Strauss, Hauer and Feld,
Counsel for Pengo Industries, Inc.
4100 First City Center, 1700 Pacific Ave.
Dallas, TX 75201
Attention: David F. Staber
(214) 969-2800
Ballots must be returned so that counsel for Pengo receives them no later than 3:00 p.m., Dallas time, on August 29, 1989. A COPY OF THE DEBENTURE(S) FOR WHICH THE BALLOT IS CAST MUST BE ATTACHED TO THE RESPECTIVE BALLOT IN ORDER FOR THE BALLOT TO BE VALID.

3. OBJECTIONS TO CONFIRMATION:
Debenture holders wishing to object to the confirmation of the Plan may do so by filing a written objection by 5:00 p.m., Dallas time, August 23, 1989 with the Clerk of the Bankruptcy Court, 501 U.S. Courthouse, 10th and Lamar Sts., Fort Worth, Texas 76102 with a copy to counsel for Pengo.

4. INFORMATION:
Information may be obtained by contacting counsel for the Pengo or by contacting counsel for the indenture trustees of the Debentures as follows:

*8% Percent Debentures:*
Roger A. Ferree, Esq.
McCutchen, Black, Verleger & Shea
600 Wilshire Boulevard
Los Angeles, CA 90017
(213) 624-2400
Counsel for Chemical Bank

*Class A or B Debentures:*
Edward L. Rothberg, Esq.
Liddell, Sapp, Zively, Hill & LaBoon
3500 Texas Commerce Tower
Houston, Texas 77002(713) 226-1200
Counsel for Texas Commerce Bank, N.A.

DATED July 20, 1989.

BY ORDER OF THE COURT
THE HONORABLE MASSIE TILLMAN
UNITED STATES BANKRUPTCY JUDGE

# COMPANY NOTICES

**S M HACKETT & SON LIMITED**

TO WHOM IT MAY CONCERN. Notice is hereby given that:

1. At an Extraordinary General Meeting of the above named Company duly convened and held at 6/8 Kilwardby Street, Ashby-de-la-Zouch, Leicestershire on the 24th July 1989 a Special Resolution was passed that the payment of £165,226 out of the Company's capital as defined in Section 171 Companies Act 1985 in respect of the purchase by the Company from Mr N F Hackett and Mrs A Hackett of the Company's Ordinary Shares under Section 162 of the said Act be authorised.

2. The statutory declaration of the directors and the auditors' report required by Section 173 of the Companies Act 1985 are available for inspection at the Company's Registered Office at The Callis, Ashby-de-la-Zouch, Leicestershire.

3. Any creditor of the Company may at any time within the five weeks immediately following 24th July 1989 apply to the High Court of Justice for an order prohibiting the payment.



# CONTRACTS & TENDERS

**The South Western Regional Health Authority**

maintains an approved Panel of Contractors from which firms are selected for Regional Capital Schemes, in the counties of Gloucester, Avon, Somerset, Devon and Cornwall. The Panel is divided into the following four main categories:-

(1) Building
(2) Heating, ventilating and mechanical engineering
(3) Electrical engineering
(4) Lifts

The Authority is reviewing the Panel, and applications are invited from firms who wish to be considered for inclusion, indicating the main category or categories of the Panel in which they are interested. Applicants for category (1) Building, should be capable of undertaking contracts from at least £3 million and applicants for categories (2) and (3) Engineering Services should be capable of contracts from at least £250,000. Those firms included on the existing Panel will have already received an application form to enable them to re-apply.

The existing Panel will be cancelled as from the date of the Authority's approval of the new Panel.

An Application form may be obtained from Mr. N. Roberts Administrator, (Procedures and Control) Capital Development Division at the address below. The closing date for application is 30th September, 1989.

South Western Regional Health Authority,
King Square House, 26/27 King Square, Bristol BS2 8EF

# RENTALS



# RENTALS



# PUBLIC NOTICES

MONOPOLIES AND MERGERS COMMISSION

**MMC INVITES EVIDENCE ON CROSS CHANNEL CAR FERRY SERVICES**

The Monopolies and Mergers Commission would like to hear from any person or organisation with views on proposals by P&O European Ferries and British Ferries Sealink to provide a joint cross-Channel car ferry service with interchangeable tickets and common fare tariffs.

The Commission will be studying the possible effects of these proposals on competition between cross-Channel car ferry services, and on future competition between ferry services and the Channel Tunnel.

The Commission would like evidence in writing by 1 Sept. 1989 to be sent to:- The Reference Secretary, (Cross Channel Car Ferry Services), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

# DIARY DATES

## FINANCIAL

[illegible]

... Hopkinsons Hldgs. ... Home (Robert) 3.5p; Do. N/Vtg. A 2.6p; House of Fraser 8% Un. Ln. 1993/98 3pc.; Do. 8½% Un. Ln. 1993/98 4¼pc.; Iceland (Republic of) 14½% Ln. 2016 7¼pc.; Isopad Intl. 3.5p; Italian Int. Bank Flg. Rate Nts. 1991 $492.92; Italy (Republic of) Flg. Rate Nts. 1997 $508.97; Juliana's 7½% Cv. Un. Ln. 2000/02 3¾pc.; KLP Grp. Cm. Cv. Rd. Prf. 3.375p; Kleinwort Charter Inv. Tst. 1.075p; Korea Exchange Bank Flg. Rate Nts. 1995 $493.35

... Nat West Bank; Robinson (Thos.); Securicor; Security Services; DIVIDEND & INTEREST PAYMENTS– Allied London Props. 10% Cm. Prf. 5p; American Info. 73cts.; AT & T 30cts.; American Tst. 5% Cm. Prf. 1.75p; Anglo Am. Corp of South Africa 6% Cm. Prf. 0.99530pc.; Aquascutum 7½% Cm. Ptg. Prf. 2.625p; BBA Grp. 5% Cm. Prf. 1.75p

... Border TV; Dale Electric; Douglas (R.M.); Northamber; Saville (Gordon J.); Sommerville (Wm.); Interims: Barclays; Glynwed Int.; Wickes; Yorkshire Chemicals; DIVIDEND & INTEREST PAYMENTS– Anglo Am Corp. of South Africa 200cts.

... Polly Peck Int. 5p; Tamaris 2p; Unilock Hldgs. 1.8p; Unit Grp. 2.5p; Watson & Philip 2.85p; Zandpan Gold Mining 17cts.

SATURDAY JULY 5
DIVIDEND & INTEREST PAYMENTS– Wilding Office Equipment 1.8p

SUNDAY JULY 6
DIVIDEND & INTEREST PAYMENTS– Int. Distillers & Vintners 6½% Un. Ln. 1987/92 4¼pc.

## Trade Fairs and Exhibitions: UK

**August 13-17**
Gifts Fair (0473 622093)
Hove Town Hall

**August 17-20**
Antiques Fair (04447 2514)
Kensington Town Hall

**August 26-28**
Town and Country Festival (0203 696969)
Kenilworth

**September 3-6**
Top Drawer Gift and Decorative Accessories Exhibition (01-727 1929)
*Kensington Exhibition Centre*

**September 3-7**
International Autumn Fair (01-855 9201)
Olympia

**September 5-8**
International Carpet Fair (021-705 6706)
Exhibition Centre, Harrogate

**September 5-8**
Offshore Europe Exhibition and Conference (01-549 5831)
Aberdeen

**September 10-13**
International Menswear – MAB (01-437 8754)
Earls Court

**September 12-14**
Point of Sale, Merchandising and Display Exhibition and Conference (01-340 3291)
Business Design Centre, Islington

**September 12-23**
Antiques Fair (04447 2514)
Chelsea Old Town Hall

**September 15-23**
International Boat Show (0703 737311)
*Southampton*

**September 17-18**
DIY Trade Show (01-302 8585)
Earls Court

**September 18-22**
International Handling & Storage Exhibition (0895 58431)
NEC, Birmingham

**September 18-19**
International High Definition Television Exhibition – HDTV (01-931 9985)
Tara Hotel, London

**September 25-28**
*International Police Exhibition* & Conference (01-446 8211)
Barbican, London

## Overseas Exhibitions

**August 25 - Sept 1**
World Fair for Beverage Technology - DRINKTEC-INTERBRAU (01-948 5166)
Munich

**August 25 - Sept 3**
International Audio and Video Fair (01-930 7251)
Berlin

***September 3-9***
International Autumn Fair (0375 392222)
*Leipzig*

**September 4-9**
Show of the Nations Exhibition (01-977 3474)
Vienna

**September 13-14**
Pre-Press Exhibition (0372 373161)
Copenhagen

**September 13-17**
International Fisheries Industry Exhibition (01-948 9900)
Nantes

**September 14-24**
International Motor Show – IAA (01-734 0543)
Frankfurt

**September 17-20**
International Hardware Show - *QUOJEM* (01-225 5566)
Paris

**Sept 25-Oct 1**
*International Technical Fair* (01-836 5219)
Plovdiv

**Sept 28-Oct 3**
International Robotics, CAD/CAM, Automation Engineering Exhibition - PRODUCTIQUE (01-225 5566)
Paris

## Business and management conferences

**July 31- August 1**
The *Industrial Society: Managing* for involvement and innovation (01-262 2401)
*IBM South Bank, London*

**August 2-4**
Frost and Sullivan: Evaluating and *implementing* local area networks (01-730 3438)
Brighton

***August 21-25***
Management Centre Europe: The fundamentals of finance and accounting for non-financial managers (32/2/516.19.11)
Brussels

***September 6***
Tolley Conferences: Payroll manager's review third annual updating conference 1989 (01-680 5682)
London Press Centre

**September 11**
The Industrial Society: Annual hours – principles into practice (01-262 2401)
London

**September 12**
*CBI Conferences: Pay and performance* (01-379 7400)
Centre Point, London

**September 13-14**
Financial Times *Conferences:* World Motor (01-925 2323)
Hotel Inter-Continental, *Frankfurt*

**September 13-15**
ANCE+CITHA: World convention of *trading companies* (39 2 4818121)
Milan

***September 14***
Tolley Conferences: Duties and responsibilities of a company *secretary* (01-680 5682)
London

**September 15**
The Economist Conference Unit: Deregulation and joint ventures in international telecommunications strategies (01-839 700)
Royal Garden Hotel, London

**September 21**
CBI Conferences: City investor relations (01-379 7400)
Centre Point, London

**September 22**
Battelle Institute: Strategic management of technology (01-493 0184)
RAF Club, London

*Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published*

# APPOINTMENTS

## Pilkington secretary

Mr Roger Daniels *(above)* has been appointed company secretary of *PILKINGTON. He* was company secretary of Wolverhampton and Dudley Breweries. *He succeeds Mr David* Bricknell, who has been appointed manager of the group legal department.

■ BAIN CLARKSON, an Inchcape company, has appointed Mr Keith Hodgson as group personnel director. He was with the Midland Bank.

■ MF INDUSTRIAL has appointed Mr John Maguire as director manufacturing. He was manufacturing director of Oldham Crompton Batteries.

■ Mr Tim Griffiths has been appointed managing director of WILLIAMS LEA FACILITIES MANAGEMENT.

■ Mr David Wright has been appointed managing director of GKN DEFENCE - land systems. He joins from STC where he was managing director, defence activities.

■ *Mr Reece Houghton,* business manager, has been appointed to the board of FAIREY *MICROFILTREX,* Fareham.

■ *Mr Eric Smith* has been appointed sales director of The Analytical Development Co, part of HALMA GROUP. Mr Nigel Young has been appointed a director of Castell Safety International, Halma safety division subsidiary. He continues as managing director of Fortress Interlocks, another group company

■ Mr John *Linton* has been appointed managing director of the PERTWEE GROUP, Colchester. He was business development director.

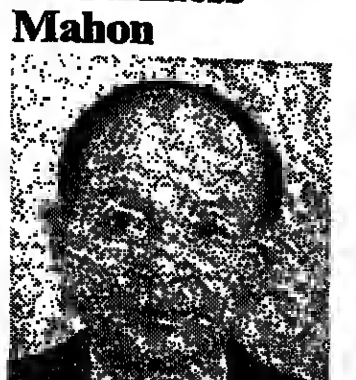
■ Mr T.F. Blizzard has been appointed marketing director of the powered access platforms sub-group of SIMON *ENGINEERING.* He was export sales director, Simon Fire.

■ INTEGRATED MICRO PRODUCTS has appointed Mr Don McLaverty as business development director.

■ From September 1 Mr M.S. Ferguson, company secretary, joins the board of JOHN SWIRE & SONS as finance director succeeding Mr A.D. Moore who remains executive director responsible for shipping and new projects. Mr G.C. Pope, assistant company secretary, is promoted to company secretary.

■ Mr J.J. Wilford, currently alternate director, has been appointed an executive director of ALBERT MARTIN HOLDINGS, and becomes chief executive and managing director of the Martin's division. Mr C.D.G. Smith has retired as an executive director, but continues as a non-executive director.

## Vice chairman of Guinness Mahon



Following completion of the offer by The Bank of Yokohama for GUINNESS MAHON HOLDINGS, Mr Masataka Okura, *(above)* president, and Mr Osamu Nagatsuka, a managing director of the bank, have been appointed non-executive directors of Guinness Mahon Holdings. Mr Ken-ichi Ozawa, also a managing director of the bank, has been appointed vice chairman of Guinness Mahon.

هكذا من الاصل



## MANAGEMENT

# Changing gear through Europe's carmakers

**Daniel Goeudevert** tells **Andrew Fisher** about his move to Volkswagen and plans for a *new international business school*

When Daniel Goeudevert *announced* in March that he was stepping down *as the head of* Ford's West German subsidiary, eyebrows arched in amazement as those *in the car* industry wondered what the burly 47-year-old Frenchman was up to.

Had he, after eight years at Ford-Werke in Cologne, decided to kick off his executive shoes and drop out of corporate life? Would he now devote his time to *promoting* his ideas on management education, where he feels Ger*many has a lot of catching up* to do? Or would he simply join another big concern?

*The answer is two-fold.* No, he is not leaving the business world. Far from it, since his surprise appointment as the new board member of Volkswagen, responsible for purchasing and logistics, has just been confirmed. But yes, with a nod *of approval from VW, he does* intend to devote time to promoting his views on management and developing a new internationally-oriented business school.

By German business standards, Goeudevert has a high profile. He has irritated some in the industry by stating what almost amounts to heresy in *Germany – that he could live* with a motorway speed limit.

He also feels that manufacturers should take more account of environmental and ethical issues, concentrating more on safe, clean, and economical cars rather than on *too* much *technology*, speed and power. To help ease urban congestion, he favours the development of small, electric cars.

Goeudevert did not plan the move to VW. This resulted from the death in a helicopter accident of Gerd von Briel, who would have taken over the job Goeudevert has now been given. But it has inevitably stirred strong speculation that the former Sorbonne literature professor could become the next VW chairman when Carl Hahn, 62, retires in two years.

That remains to be seen. Clearly, having returned Ford's German operation to profit by bringing in new models, *cutting costs and trimming the* workforce, Goeudevert could have stayed with the US group. But this would have involved a more administrative role at Ford of Europe.

Puffing on a menthol cigarette, he says: "I need to be in the front line. An administrator is too far from the results." So while he circumspectly avoids comment, he would obviously relish the number one job at VW, the world's *fourth biggest carmaker*.

By crystalising his ideas on management and transport, *Goeudevert had*, in a way, thought himself out of the job at Ford, where his responsibilities were strictly regional. "I thought it would be fair to the company to say I'd better give up."

Having agreed to join VW, Goeudevert hopes to influence the globally-minded group to adopt some of his transporta*tion ideas, as well as keeping* his involvement in management education.

So is he a man with a mission or an astute corporate careerist with a quiver full of attention-grabbing ideas? Certainly, his views command attention. Nor is he shy of publicity. Yet there *is no doubt of his sincerity*, whether he argues the need for a revamping of business training in Germany or urges the car industry not just to refine existing models, but think up new ones for European and Asian markets.

*Before taking up his new job*, he hopes to have laid the groundwork for a new type of business school in Germany. "Why do we need so many consultants and why do we have to send so many managers to seminars? We hire top gradu*ates and send them to semi*nars. They must be missing something in their education."

Goeudevert, who worked for Citroen and Renault before his time at Ford, believes there is a need for a new business school which does not just con*centrate on academic educa*tion, but which builds on Germany's successful dual tradition of on-the-job practice and classroom sessions in *industrial training*.

"My objective is to expand this dual system up to top levels of high technology and management. The system stops at a very low level of manufacturing skills. But if it is successful at the base of industry, it should be so at the top."

With increasing pressures on companies to take account of the environment, product safety, and other ethical issues, as well as meeting stiffer com*petition from rival concerns*, Goeudevert feels it is essential for future managers to be given both a deeper and a more well-rounded business education.

Also, he sees it as essential to develop a forum where foreigners, especially from Asia and the eastern bloc, can learn about business in Germany, western Europe's biggest economy.

To ensure that lecturers are *alive to changes in industry*, Goeudevert would lay down that their contracts should include outside work as consultants. This would also help finance the school. From outside, he would try to draw executives into part-time teaching.

On the student side, some corporate experience would be a pre-condition of entry. Unusually, those returning to their company would be assisted by someone from the school to help them implement what they had learnt.

This would obviously require greater commitment from com*panies' top management* in the whole education process. "Thousands of managers visit seminars," notes Goendevert. "But when they get back to their companies, they are frustrated. They say it was nice to have done the course, but they *can't implement* anything of what they have learnt." This can be through the jealousy of colleagues or the sheer resistance of conservative forces.

"So why not let the professor come back with the student to look at this resistance on the *spot, talk* to *the board, suggest* they send others to the course, and generally enter the chain of the company's culture." Germany does have business courses, but Goeudevert feels *they do not embrace enough* of the manager's future needs. He also aims to teach students more about the history and psychology of the countries with which they are likely to deal. "They should try to understand people before they develop products for them."

His views on management training tie in closely with his *notions* of *how* the motor industry should develop in more environmentally and economically responsible ways. At Ford, he insisted that the new Fiesta launched this spring should cost the same as its predecessor. Four years ago, he *had the up-market Scorpio fit*ted with anti-lock braking systems (ABS), the first time this became standard on a new production car.

The organisational details of his management scheme still have to be worked out. Goeu*devert hopes to have given* it a powerful impetus by the time he starts at VW. An important element will be the six-year-old private university at Witten/Herdecke in the Ruhr, where Goeudevert has become a governor and head of the *strategy committee*. The university, supported by the Bertelsmann Trust – Reinhard Mohn, its head, built up the Bertelsmann media concern after the last war – also has *Alfred Herrhausen*, chairman of Deutsche Bank, on its board.

All students there must have previous practical non-academic experience before joining. This clearly ties in with Goeudevert's ideas; he hopes to expand the curriculum to include wider management and language skills. Another element will be a new manage*ment academy being set up* by the state of North Rhine-Westphalia to run seminars for managers from smaller companies. Goeudevert hopes to combine the two, with help from professors from business schools outside Germany.

*For Goeudevert, the contin*ued education of teachers is as important as the development of budding managers. "Teachers shouldn't be isolated from the fast-moving world, but should be integrated into the way companies think and evolve."

By the same token, he feels, managers should be taught in a way that enables them to recognise and react to political, environmental and ethical pressures on such matters as safety, anti-pollution, or, in the *case of the car sector*, sheer congestion. "They need to understand these issues from the ground up."

**Daniel Goeudevert: stating what amounts to heresy in West Germany — he would be prepared to live with a speed limit**

# Busy doing nothing

**Jean-Louis Barsoux** argues the case for management inaction

In the course of a 90 minute match, an individual footballer will, on average, be in possession of the ball for no longer than two minutes. Yet, *when asked about his perfor*mance afterwards he is unlikely even to mention his efforts "*off-the-ball*". *He will* focus instead on the few occasions spent "on-the-ball" since these are far easier to recollect and describe.

The same singularity applies to the work of managers. Asked to list their achievements at the end of the day, most managers will only recall the few times they "touched the ball" which, though vital, are hardly representative of their overall contribution.

*Action is the stuff of man*agement legend. We like to see our managers and leaders get involved, *tackling* or pre-empting problems, standing at the cross-roads and making inexorable life-or-death decisions.

This focus on the "cult of action" has become particularly acute in the 1980s with influential books such as In Search of Excellence exhorting managers to try anything rather than do nothing. Man*agement has become synony*mous with action.

In the process we have developed something of a blind-spot regarding inaction – or the possibility of problem-solving by simply deferring a decision. Unfortunately, crises which have successfully been left to peter out of their own accord are not particularly newswor*thy*.

Issues which are solved through absence of action tend to go unrecorded – at best they live on in anecdotal form. An example is the senior civil servant who would leave files sitting on his desk until they had accumulated sufficient dust to warrant the epitaph: "This problem has solved itself by the effluxion of time." And anecdotal accounts of how time can massage away problems are echoed in proverbs which advise waiting for the dust to settle or letting sleeping dogs lie.

So, while fruitful inactivity is recognised in popular folklore, it is not supposed to feature in the manager's repertoire of legitimate responses. We do not like to think of our *managers side-stepping* issues, engaging in tactical fence-sitting or turning an occasional blind-eye to problems. Yet, wittingly or not, all managers postpone action at some time or other – and with good reason.

To start with, it is a natural *corollary to thoughtful priori*tising. Managers can only bring their time and talents to bear on a *limited* number of matters.

As Edward Wrapp, writing in the *Harvard Business* Review, saw it: "The good manager . . . knows the fine and subtle distinction between keeping fully informed about operating decisions and allowing the organisation to force him into participating in these decisions or, even worse, making them."*

Of course, it is not only the *less urgent issues which* are put to one side. Major problems too, may be held off. *Where a problem is unwieldy* or camouflaged, then delay will not only throw up new possi*bilities, it will* also change the nature of the problem, and not necessarily for the worse.

**Fruitful inactivity is not supposed to feature in the manager's repertoire of legitimate responses**

As Edward de Bono, the lateral thinker, has put it: "It is probably true that many decisions go away if you refuse to *make them*. Circumstances change and what was once a possible decision is no longer on offer."

It transpires that suspending judgment can be a constructive management tactic, not just a bureaucratic ploy. One might go further, and suggest that it is an essential component of the entrepreneur's *modus operandi*. Opportunism implies leaving options open. A premature decision will inevitably close off certain alternatives. So it is desirable for entrepreneurs to sustain ambiguity and to remain non-committal for as long as possible.

*Managerial inactivity* clearly assumes many guises, and serves different ends. Yet, accounts of managerial work do not even acknowledge its existence, at least not as a positive manoeuvre. There is a plausible explanation for this. It lies in the cultural roots of modern management.

Management philosophy has inherited the go-getting, frontier spirit of the nation that spawned it. Americans believe *in the power of individuals to* shape their destinies. And the possibility of letting problems *unravel themselves is not eas*ily reconciled with that ethos. Action is a virtue, inaction a vice.

Of course, not making a decision is actually deciding to do nothing. But it is never viewed like a real decision. Not making a decision means surrendering the initiative to someone else, or to fate – and relinquishing control is unacceptable from an American perspective.

*Similarly, Americans invari*ably view time as a constraint ("time is money"). The notion that *time* might *actually serve* to clarify or even resolve a problem may be exploited in practice, but receives no written endorsement. So what?

So unless we get to grips with the reality of the management process, how can we help managers to improve? In a way our action-fixation is a latter-day version of the scientific *obsession which dominated* management for so long.

As early as 1916 the French management writer, Henri Fayol, distilled management work into five essential activities – planning, organising, commanding, co-ordinating and controlling – he may have provided management with a veneer of academic kudos, but *he did little to help managers* manage. They simply could not identify with the rational information-handler presented to them.

Similarly, today, managers are confronted with a distorted portrayal of their work - one which emphasises the action component and ignores, except in a pejorative sense, the possibility of inaction. *Managers are* too often goaded into making dangerously black or white choices, without thinking through the repercussions.

Perhaps procrastination should not be legitimised, but a warning note should be struck. We have come to value gratuitous action above purposeful inaction.

The aim of management is not to be active but to be effective. Sometimes that effectiveness means suspending judgment until things become clearer.

## LEGAL COLUMN

# Concessions fail to stem debate over poaching

By Robert Rice, Lagal Correspondant

IN SPITE of the concession in the white paper on Legal Services to the Bar Council and the Law Society allowing them to continue to make rules preventing their members from entering into mixed partnerships with other professionals if they so wish, the debate as to whether the Bar's best talent will be swallowed up by the large City law firms continues unabated.

Those most concerned are the medium-sized law firms. City lawyers Berwin Leighton, for example, claimed last week that the white paper reforms were "irrelevant to their needs" and those of their corporate clients.

Mr John Fenner, Berwin Leighton's senior partner, said that while the lifting of the statutory ban on multi-disciplinary practice could certainly enable firms like his to achieve productive mergers with complementary professional firms of accountants and chartered surveyors, they feared that new entrants to the Bar, and mature barristers as well, could be increasingly drawn into the financially secure law firm environment, so diminishing the quality and independence of the Bar.

"We need to have access with our corporate clients to Britain's independent, highly skilled barristers and can foresee that not being possible in the future," he said.

How so? Surely the Bar will make rules banning barristers from entering into partnership with solicitors and Lord Mackay has dropped sufficiently broad hints to suggest thet he might look favourably on any such rules as being exempt from prohibition by the new competition legislation becanse he regards them as justified by the needs of advocacy or the conduct of litigation?

The problem is, however, that the rules relating to multi-disciplinary partnerships form only half the picture.

One of the by-products of the proposals for reform of the profession has been for the Bar to voluntarily undertake a number of long overdue reforms relating to its working practices and structure.

Part of those reforms are directly concerned with facilitating transfer between the two branches of the profession which the Bar saw, and still sees, as an argument for leaving the current rights of audience for barristers and solicitors as they are.

If it is easy for those solicitors who want to practise as advocates to transfer to the Bar that is surely a better way for them to achieve rights of audience than to give a blanket extension to solicitors in general, it argues.

Easing the remaining restrictions on transfer between the two branches, however, will also make it easier for barristers to become solicitors. It remains open to the City law firms therefore to lure away the Bar's best talent with the promise of greater financial security provided they are prepared to transfer to the solicitors branch of the profession.

The rules that the Law Society eventually draws up to govern which of its mambers should be granted rights of audience and in which courts, will inevitably have to be draughted in such a way as to make it extremely unlikely that we will see solicitor advocates in the High Court in any numbers much before the turn of the century.

But solicitors who were previously barristers exercising rights of audience in the higher courts are a different matter entirely. Whatever the society's rules on rights of audience they will surely have to grant full rights immediately to solicitors who are former barristers.

So it is still possible that the Bar's best talent will be swallowed np by the City firms in spite of rules preventing barristers from entering into mixed practices with solicitors. We are then back to asking the age old qnestion of why would they?

All the arguments about specialist advocates working for solicitors firms either being under or over employed at any one time, and about barristers not being suited to working in large offices, and about it not being in the interests of solicitors as a whole to hire barristers because no one firm can hope to secure the services of all the barristers it requires to service the needs of its corporate clients, become highly relevant again.

At the end of the day, however, as the profession knows, it only takes one firm to start hiring barristers on a significant scale for all the others to join in. And if that happens the fears of firms like Berwin Leighton may become all too real.

* * *

IT MUST be particularly galling to have to issue a press release announcing that you have been sacked. Such a task fell to Profile Public Relations last week, who after an association with the Bar lasting four years have, it seems, like a number of Cabinet ministers, paid the price of failure to get their master's message across to the public.

Objectively, this is a little harsh. While the Bar's campaign against the Mackay reforms cannot be said to have been a total success, many people believe, including privately many senior members of the Bar, that the white paper contained as many if not more concessions to its position than it could possibly have dared hope for when tba green papers were published in January.

The postponement of a decision as to whether lawyers in the Crown Prosecution Service should have rights of audience in Crown Court jury trials; the enhanced role of the senior judges in the regulatory process; the hint thet rules made by the Bar banning barristers entering into mixed partnerships may escape scrutiny of the new competition authority; and the abandonment of the complex advocacy licensing scheme with immediate full rights of andience for all barristers, are all significant concessions to the Bar.

But clearly there had been some tension between the agency and its client. Profile had been running the Bar's press office for four years. When the green papers were published the extra work involved in running the Bar's campaign was negotiated on a contractual basis.

Profile, not unnaturally, assumed that it would have a big role to play in determining and executing the Bar's strategy for opposing the reforms. Barristers, unaccustomed to taking advice from anybody at the best of times, thought differently.

In the end, the lobbying of MPs at Westminster, for example, was done by a team of barristers chosen for their connections with one or other of the main political parties nnder the leadership of Mr Julian Malins, whose brother Mr Humfrey Malins is Conservative MP for Croydon North West. Profile found themselves to a certain extent side-lined.

Officially, Profile says: "We believe we have conducted an highly effective campaign on the Bar's behalf on the green papers, which has resulted in a significant change in the Government's position." Privately the agency is clearly disappointed. It had built up a lot of knowledge and understanding of the Bar and the way it operates over the last four years which it had thought would count for a great deal when the Bar came to review its consultancy requirements.

It was not to be. The General Management Committee of the Bar has appointed the political and media relations consultancy Westminster Strategy to take over from October 1.

Mr Roger Henderson QC, Chairman of the Bar's Public Affairs Committee says that Westminster Strategy's role in both the parliamsntary and media fields will be "consultative."

The Bar itself will continue to rely on barristers to communicate their views to MPs on both the Legal Services white paper and any subsequent bill, he says.



## LEGAL APPOINTMENTS















## LAW SOCIETIES ADMISSIONS 1st AUGUST,1989

ANDERSON, Frances Margery Dillon B.Sc, M.Soc.Sc Miss, Birmingham
BALL, Louise Margaret Miss, Muswell Hill, London
BELLSON, Richard Andrew Lisle M.A. Mr. London
BIRD, Simon David Spencer LL.B Mr. Cardiff, South Glamorgan
BROKE, Philip Richard Vere, M.A. Mr. London
BROWN, Martin John Solicitor Of The High Court Of New Zealand Mr, London
BYNOE, Joseph Alexander Roland Solicitor Of The Supreme Court Of Trinidad & Tobago Mr, Port of Spain, Trinidad
CHOW, Wai-Man Solicitor Of The Supreme Court Of Hong Kong Mr, Central Hong Kong
COLLINS, Timothy John Francis Mr, London
COPP, Stephen Francis LL.B Mr, Reading, Berks
ERWIN, Alan David Mr, Orpington, Kent
HARRIES, Ian Richard LL.M Mr, Newport, Dyfed
HIGGINSON, Roy LL.B Mr, Nr Tring, Herts

JOHNSON Nicholas Charles Mr London.
JOHNSTONE, Mark Timothy Solicitor Of The High Court Of New Zealand Mr Wimbledon Park, London
KALIA, Vinod Kumar B.Soc.Sc Mr Plumstead, London
KELLER-HOBSON, Donald Stephen Douglas Solicitor Of The Supreme Court Of Ontario Mr London
KELLER-HOBSON, Kathleen Louise Solicitor Of The Supreme Court Of Ontario Mrs London
KOCH, Roger Wolfgang Mr London
LAU, Eva Sair Fan Solicitor Of The Supreme Court Of Hong Kong Ms Hong Kong
LEE, Frank Kar Wai Solicitor Of The Supreme Court Of Hong Kong Mr Hong Kong
LEE, Frank Nlang Solicitor Of The Supreme Court Of New South Wales Mr Central Hong Kong
LITTLEFIELD, Ian B.A Mr Beeston, Nottingham,
MESSIAS, Stephen B.Sc Mr Pinner, Middlesex.
MITCHELL, Reis William Arthur LL.B Mr Liss, Hampshire.
MOFFAT, Marina Antoinette Victoria Mrs Brentwood, Essex.

PHILLIPS, Dinal Marie Rex Solicitor Of The Supreme Court Of Sri Lanka Mr, Sri Lanka
PHILLIPS, Paul Dwayne Mr, Clapham, London
PIRES, Basil Carols Anthony Solicitor Of The Supreme Court Of Trinidad & Tobago Mr, London
RANASINGHE, Renuka Solicitor Of The Supreme Court Of Sri Lanka Miss, Sri Lanka
REDDYHOUGH, Julian Nicholas B.A, M.A Mr, Broxbourne, Herts
RICE, Philip Latham Solicitor Of The Supreme Court Of New Zealand Mr, London
RICKETTS, Peter Martin Charles B.A Mr, Ashmore Park, Wolverhampton
ROBERT-TISSOT, Simon Patrick Mr, Hong Kong
SALHAN, Tarsem LL.B Mr, Crawley, West Sussex
SINGH, Manjit LL.B Mr, Hounslow, Middlesex
SMITH, William Nigel Tracey M.A, M.BA Mr, Brighton, East Sussex
SOBION, Keith Stanford Philip Solicitor Of The Supreme Court Of Trinidad & Tobago Mr, Port OF Spain, Trinidad
SPAIN, Mark Anthony B.A Mr, Folkestone, Kent

STARLING, Rebecca Jean Godwin LL.B Miss, London
SWIFT, Robert Derek LL.M Mr, Salisbury, Wiltshire
SZETO, Jerry Hin-Leung Solicitor of the Supreme Court of Hong Kong Mr, Central Hong Kong
TAYLOR, Julian Mary Reid Miss, Carlisle
TEASDALE, Stephen Watson LL.B Mr, Seahouses, Northumberland
TONG, Wai Sing Solicitor of the Supreme Court of Hong Kong Ms, Hong Kong
WALKER, Richard Mark B.A Mr, Balham, London
WEBB, Graham Phillip Solicitor of the High Court of New Zealand Mr, London
WIJESOORIYA, Preethi Mary-Anne Fatima Solicitor of the Supreme Court of Sri Lanka Mrs, Sri Lanka
WILKINSON, John Maynard Solicitor of the Supreme Court of South Australia Mr, Stonyfell, South Australia
WILSON, Andrew Jonathan Mr, Halifax, West Yorkshire
WYN-GRIFFITHS, Adrian Mr, Islington, London

ARCHITECTURE

# Sins of the past writ large

As you emerge from Temple Meads station and walk into Bristol, you are confronted by the ruin of a great city. All the sins of the *recent* past are writ large: the urban motorways that are much too close to the centre of the city; the overhead walkways that lead nowhere; the sense of alienation imposed upon the pedestrian unable to see a route at ground level. The post war architecture has achieved a dauntingly low standard of uniform mediocrity.

Almost worse is the criminal isolation on traffic islands of great buildings, that have survived the holocaust of war and development only to be stranded in utterly inappropriate and demeaning surroundings. An example of this insensitivity is the fate of the glorious church of St. Mary Redcliffe. This wonder of English mediaeval church architecture is now cruelly divorced from the city by roads swirling with careless traffic.

Contrast the cynical treatment of this inspired work of art with the elaborate care now taken to secure the retention of the most banal facades in the name of conservation, and you are forced to wonder about the sanity of planning administrators.

Architecture operates at two basic levels of understanding. There is the broad sweep of a city, village or great edifice that we appreciate because of its harmony and scale. There is also the level of detail and craft that shows the care exercised by the actual builder. When, for example, a visit is made to an ancient church it is both the broad imaginative conception as well as the intensity of detail in the glass and carving that equally delight us.

It was particularly fascinating to find a small exhibition in Bristol of the work of an architectural practice that understands the two levels of knowledge necessary for the successful practice of architecture as an art. This is a small firm, Architecton, which has worked both on the design of new buildings and on the specialist repair of old buildings since 1974. There is a modest but pleasing display of its work in the Ibstock showroom that should certainly reach a wider audience.

There is a great feel for the continuity of building practice in the work of this firm. As it restores the timber roof of a Devon church you sense that the lessons learned there will influence its own new structures.

The nature of the four principals determines the way this practice works. One partner, Colin Harvey, has worked with that renowned but strange architect planner in Athens, Doxiadis. Paul Richold is Bristol trained, with a particular understanding and commitment to affordabla housing and the work of housing associations. He maintains that good design need not be expensive.

The two most unusual partners are an artist; and an expert, qualified through extensive experience, in the repair of old buildings. Robert Organ is a Slade School trained painter who also works as an architectural designer. In these days of professional specialisation, it is good, though surprisingly unusual, to see an artist applying his particular visual skills to architectural design. It is, of course, entirely appropriate that a strong visual sense should inform the design of everything we that see; the divorce between the architect and the artist is a grave consequence of the inflated importance of architects that came as a result of the Modern Movement.

The partner who is responsible for the repair of old buildings is John Schofield, who was also trained as a painter. He is also an artist with an instinctive comprehension of the way buildings are made and how they should be treated. He is a strong proponent of the philosophy of the Society for the Protection of Ancient Buildings founded by William Morris on the principles of "anti-scrape" at a time when Victorian architects were over restoring our ecclesiastical architecture with a vengeance.

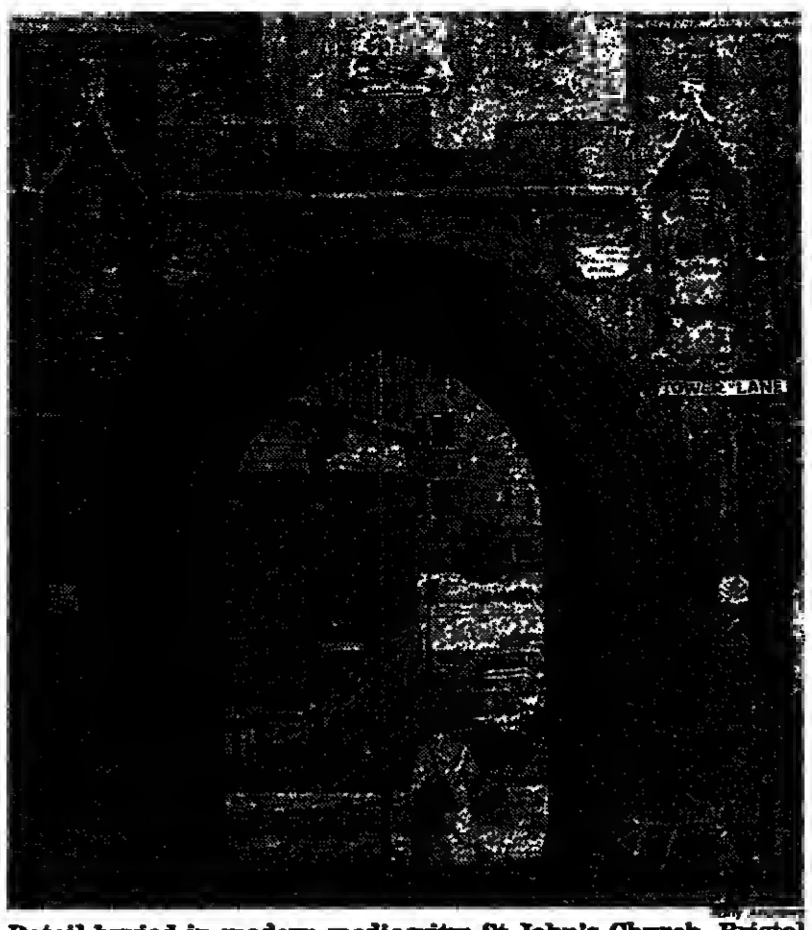
The unusual combination of artistic talents has produced a correspondingly rich set of architectural achievements. The exhibition shows only a selection, and not really enough, of the practice's new work. There are six houses in Bristol, and a house designed for a disabled client in Cornwall, that show in essence the firm's concern for modern flexible spaces, and levels that respond to the site. These houses do not have the aridity of so many machine-made modern buildings, nor do they simply modify the past. There is a strong appreciation of the importance of light and of the natural restraints and advantages of particular sites.

The proposed extension to the Newlyn Art Gallery promises to provide an original solution to the eternal problem of providing safe levels of natural daylight for the illumination of pictures. Surely this will be the first gallery since Turner's to have been designed by an artist. It should prove to be an exemplar, especially as the artist members of the practice have an strong sympathy with the works exhibited at Newlyn.

The work of John Schofield on the repair of ancient buildings is well known. He has done a number of projects for the Landmark Trust: perhaps the finest is Stogursey Castle, which has been scrupulously repaired. The work at Torbryan Church in Devon has a wonderful sense of continuity with the past; the tower, in a new coat of authentic limewash, stands as a sentinel to the philosophy of repairs within a tradition and a handing on of well tried skills. Tile repairs of stone tracery, intricate infill rather than replacement of an oak door, delicate conservation of wall paintings and sculpture – all these techniques are beautifully demonstrated. The recent work by Architecton, resurveying the historic buildings of Devon and Cornwall on behalf of the Department of the Environment and English Heritage, has informed work on both old and new architecture.

A firm like this reminds us that, in the midst of the furious architectural debate, quiet work that understands the past and the present goes on away from metropolitan neurosis with a level of artistry and competence that is immensely satisfying.

**Colin Amery**




Detail buried in modern mediocrity: St John's Church, Bristol

# Alexander Nevsky

**FESTIVAL HALL**

The Eisenstein film of *Alexander Nevsky* has been known to hold its viewers in thrall even on the small screen. To see it in cinema conditions, to the accompaniment of Prokofiev's original score performed by a full symphony chorus and orchestra, is to feel it expand into a film of truly epic magnitude.

The showing on Thursday at the Festival Hall, with the Royal Philharmonic Orchestra under Vladimir Ashkenazy, was the first time that the film has been seen with live orchestral accompaniment in Europe, after similar presentations in the United States. It is known that Eisenstein and Prokofiev worked closely on the project together,but only when one sees their work realised in this way does one appreciate how close the symbiosis between music and film in *Alexander Nevsky* is.

For the musician the cinematic nature of Prokofiev's score will almost certainly come as a surprise. The dramatic cantata into which he fashioned it, and which is so familiar to us in the concert hall, was clearly created by sewing together many small patches of descriptive music, which will explain its sometimes limited success in the context of a larger work. This is visual music, strong on image and immediate impact.

Even in concert, there are moments which have always felt descriptive of some unseen event. The most powerful of these – the first strong musical idea of the score – is a menacing descending brass theme accompanied by thumping bass drum. This we now know is the musical depiction of the invading German army.

Not by any coincidence was *Alexander Nevsky* made in 1938. By this time the film industry in Russia was in the iron control of Stalin's government. Their unambiguous political aim in supporting the making of the film was to rouse popular nationalism in the face of a foreign threat and to that end Prokofiev's score, hardly a political one to the average listener in its cantata form, was evidently of huge importance.

The warriors and noblemen may have spoken lines, but the voice of the Russian people is heard in music, ever the universal language. With the full forces of the Brighton Festival Chorus on hand, affecting an uncommonly convincing Russian low growl in the bass department, the crowd scenes of the film made a splendid impact.

Almost the most important job of the conductor was to synchronise his orchestra with the film, but Ashkenazy succeeded also in making music, the romantic expressiveness that he brought to the score outweighing some untidy playing. The mezzo soloist (how affecting her music becomes when it accompanies the search for battlefield survivors) was Christine Cairns.

**Richard Fairman**

# Looking At You (revived) Again

**BUSH THEATRE**

If you have ever wondered about the derelicts, alcoholics and chronically homeless that are such a feature of British urban life, the playwright Gregory Motton is for you. His previous works, such as *Ambulance* and *Downfall*, have created an expressionistic nightworld of the destitutes, misfits and abandoned. In his new play, originally produced at the Haymarket Leicester, where it was reviewed on this page by B.A. Young, he teams a loquacious Irish vagrant with a feeble-witted girl who longs for a baby, and depicts each on some inner quest, linked in mutual non-communication.

The scenes between them – as they busk, wash clothes by a stream, converse at cross-purposes – are intercut with the man's memories, dreams, or perhaps fantasies, of the crippled wife he deserted with eight children.

Life is grim, life is earnest, but not necessarily real – surreal, rather. The writing is calculated, carefully honed; for all the Irishman's prolixity, there is an elliptic terseness that reveals Samuel Beckett peering over the author's shoulder. The opening of the 75-minute piece is virtually a monologue for Abe (his wife is Esther; but later they call themselves Dermot and Mary) remembering his wedding and the bailiffs and creditors who hounded him to the altar rail. Tony Rohr reminds us of what a fine Beckett player he is, both here and in the other reminiscences and digressions the character obliviously pursues as his companion writhes and haemorrhages on the ground, a dark patch staining her thighs.

The humour of the inconsequential abounds on the wanderers' odyssey. "I know a couple of nurses there. They said I was very avant garde," is a typical throwaway line in the middle of nothing. "Didn't I give my all? My all was not a lot to give." No, for the character is frozen in self-absorption for much of the action.

Anthony Lamble's set is dominated by the man's often evoked repossessed house with the balcony on to which his wheelchair-bound wife balefully trundles to reproach him. On one side pollarded trees provide a clothes-line for the travellers; all of which makes the limited Bush acting area even shallower. Simon Usher interprets the symbolic in prosaically material terms, as when the girl opens a battered suitcase to show him "a part of me" at which he kicks the case away. The women come to terms one with her past, the other with her future.

Whatever the play's aim (I find the writing intriguing), the three performances are beautiful. Susannah Doyle plays the girl with the rapid, nervous intensity of a personality tentatively emerging from the prison of inarticulateness. As the wife, Veronica Quilligan gives another of her powerful depictions of frail strength, coiled bitterness.

**Martin Hoyle**

Tony Rohr and Veronica Quilligan

# Lyle Lovett

**THE DOMINION**

Oh the pitfalls of success. Less than two years ago Lyle Lovett appeared on the scene as welcome as rain in a torrid summer. A sardonic, buttoned up, Texan he was the intelligent face of new country music, proving that you did not have to indulge in sentimental drivel to project the culture of the southern American states.

True the warning signs were there. The undertaker's shiny black suit; the kooky hairstyle which looked as if a wasp nest had rooted itself on his head; the sad and solemn cellist, John Hagan, adding weight to it all. But these seemed attractive indulgences to set up Lovett's songs, which, with wit and venom, exposed small-town life, its personal glories and its public vices.

At The Dominion on Friday, the suit, the hair and the cello were still in place (as was a small, self-effacing, band) but Lyle Lovett had started to convert his idiosyncrasies into a stage act. The one liners seemed too polished; too practised: the pauses too contrived. The personality was taking over the performance and the songs, always the heart of the matter, were slipped in almost casually.

All is not yet lost. The songs, while sometimes sharing the same melodic line, are a brilliant mixture of pain and pleasure. Lovett projects himself as a ten times loser, singing of girl friends stolen by best friends, as in "LA County" (which has the perfect fantasy ending: she is shot dead at the altar), and the prejudices of hick town America in "This Old Porch," with its rousing defiant conclusion that talent will out.

Lovett's words pour out with a preciseness which is almost haiku-like, and are often the complaints of the honest man caught in a web of love. "Tell me something that you mean, not just what comes to mind," he pleads. Just when he is in danger of becoming maudlin his wit saves the day. He tells of setting out to write a song with a singalong chorus which would make the audience feel like complete idiots as they joined in, and comes up with "Fat babies got no pride." In the hands of Randy Newman, whom Lovett much resembles, such a song would be a parody with some political message. From Lovett it is just perverse humour, a way of making life bearable for a few minutes at other people's expense.

If he can avoid becoming a dangerous performer, an artiste with a reputation for walking an emotional tightrope, Lovett could still conquer the world. That he is human was proved when Leo Kotke came on at the end to support him through "Waltzing Fool," and the reverential atmosphere slackened up nicely.

Lyle Lovett is still a performer to catch on every occasion. His lyrics, with their poetic terseness, emotional intensity, and thrust of wit, restore faith in country music. It is just that at The Dominion, while two lone girls danced eerily in the aisles as Lovett picked his way through cool aphorisms and existential asides, the awful spectre of phoneyness passed across the vision.

**Antony Thorncroft**

# Cloud Nine

**MINERVA STUDIO, CHICHESTER**

Caryl Churchill's Punch and Judy phantasmagoria of sexual attitudes has not aged well in the past decade. The rather mischievous *schadenfreude* that attended the Chichester Festival production of this set of variations on liberation and self-realisation was in the event unjustified. A couple of meek exits after the first utterance of Ms Churchill's favourite four letter verb (a peremptory command from dashing explorer Uncle Harry to houseboy Joshua, nothing loth) provided all the audience outrage that the county of Belloc and Kipling could muster.

The trouble with the caricature colonial British family in Victorian Africa, whose emotional permutations occupy the first half, is that they caricature not recognisable humans nor even human traits but clichés. Though married to Clive, Betty worships Harry who loves and is loved by her sturdy sailor-suited infant son (sturdily played by Caroline Loncq). Clive lusts after vigorous Mrs Saunders, a riding crop-wielding neighbour; and dowdy Ellen, the governess, pines passionately for Betty. Joshua is the Europeanised native, waiting for the colonialists to leave before oppressing his own people, whom he has learnt to despise. The first act is leaden with obvious jokes and heavy-handed drollery ("My God! How disgusting. . . The most revolting perversion! But your face does not look degenerate!"). The whole is written and performed in a frenetic, allusive shorthand that depends a great deal on its audience's compliance. "A boy's best friend is his mother," sang the cast and, scenting satire, the actors' friends hooted and shrieked.

The air of frantic jocularity is dispelled in the second half, set in modern times though we meet the same Victorian family apparently aged by only 25 years (in which they have a distinct advantage over the play). They epitomise attitudes, in fact, rather than portraying individuals; and the message, frequently impeded by Ms Churchill's distressing if familiar slovenly rhyming, is that today we come to terms with our sexual natures, whatever they are, more easily than we did a century ago. What else is new?

Certainly the attempt to equate the paternalistic values of the Empire with the benign patriarchy of the old family unit, and to point out the repressiveness common to both, is merely shallow; here, too, the author relies overmuch on sympathetic hearers.

David Leveaux directs for all the piece is worth and makes the final embrace between modern Betty, coming to terms with her children's bisexuality and the pleasurable discovery of masturbation, and her Victorian self, moving and heartwarming. There are fine performances from the company, notably Ms Loncq who follows the doll-loving little boy with a puzzled middle-class mother in the throes of self-discovery; and Caroline Webster, touching and tough as the lesbian who loves her, besides nicely distinguishing between striding Mrs Saunders and the desperate governess. Tom Dunn's transformation from hustled Betty to the modern son's rough trade boy-friend is the most remarkable achievement of all. Still not recommended for maiden aunts; but in all other respects the play is a damp squib.

**Martin Hoyle**



# ARTS GUIDE

July 28-Aug 3

MUSIC

**London**

The Proms. Works by 114 composers will be heard during this year's Promenade Concert season, which continues until September 16. Most concerts take place at the Royal Albert Hall, though St Paul's Church, Knightsbridge, and Kensington Town Hall are also used. Tickets for most concerts cost from £3 to £11, and can be booked on 589 8212, 589 9465 (10am-6pm) or 379 4444 (24 hours); promenade tickets are available only at the door on the day of the concert priced at £1.50 or £2.

This week's concerts include Royal Philharmonic Orchestra, conducted by Vladimir Ashkenazy playing Brahms, Mussorgsky and Glière (Mon); BBC Symphony Orchestra, conducted by Andrew Davis and Witold Lutoslawski playing Ravel, Lutoslawski and Berlioz (Tue): BBC Philharmonic Orchestra conducted by Edward Downes in a concert of Bax, Walton and Strauss (Wed); and the BBC Philharmonic Orchestra conducted by Valery Gergiev, playing Prokofiev, Schnittke and Tchaikovsky (Thur).

**Paris**

Festival of Paris. Clarinet concert, with Michel Portal, Christoph Henkel (cello), Georges Pludermacher (piano). Beethoven, Brahms (Tue) Auditorium des Halles.

Festival of Paris. Baroque music. Tokyo Baroque Trio, Agnes Mellon, (soprano). Duphly, Lully, Campra, Clerambault (Wed) Auditorium des Halles.

**Summer festivals in France.**

La Chaise-Dieu in Auvergne, Aug 23-30 (71000116).
Saint-Jean-de-Luz, Aug 30 - Sept 16 (59260316).
La Roque-d'Antheron, Aug 1 - 23 (42505115).
Menton, Aug 5 - 31 (93575700).

**Brussels**

Eglise Saints Jean et Etienne - Rosario Macaluso (trumpet) Joelle Sauveniere (organ). Sun 4pm (513 88 20)

**Vienna**

Haydn Sinfonietta conducted by Manfred Huss. Beethoven. Grosser Redoutensaal (Mon, Wed).
Moscow Radio Symphony Orchestra conducted by Vladimir Fedosejev. Sibelius, Beethoven. Arkadenhof (Tues, Thur).
Ebert Trio. Beethoven, Brahms. Schloss Neuwaldegg (Thur).

**Bad Wörishofen**

Ivo Pogorelich Festival. This first festival initiated by the Yugoslav pianist Ivo Pogorelich, aims to support young musicians. Among the musicians are violinist Iduard Wulfson and pianists Franz Massinger and Frederic Chiu. The Southwest Baroque Soloists are conducted by Helmut Erb. Pianist Alexej Sultanov made a very successful German debut in Munich in 1988; the Lithuania Chamber Orchestra, founded and conducted by Saulius Sondeckis, are the winners of the Herbert von Karajan foundation for the best young orchestra; while violonist Kyoko Takezawa won the International Violin Competition in Indianapolis. The Artis Quartet, cellist Antonio Meneses and his wife pianist Cecile Licad will also appear. The opening concert will be given by Pogorelich himself. Aug 1-8 (08247/350253,8939). Bad Wörishofen, Postfach 1442.

**New York**

Mostly Mozart Festival. Takacs String Quartet with Richard Stoltzman (clarinet) and Vladimir Feltsman (piano). Mozart, Beethoven (Mon); Orchestra conducted by Edo de Waart with Kalichstein/Laredo/Robinson Trio and Hakan Hardenberger (trumpet). Avery Fisher Hall (874 2424).

**Chicago**

Ravinia Festival. Preservation Hall Jazz Band (Mon); Chicago Symphony Orchestra conducted by Dennis Russell Davies with Leonidas Kavakos (violin). Tchaikovsky, Prokofiev, Mussorgsky/Ravel (Thur) Highland Park (728 4642).

**Montreal**

Mozart Plus Festival with the Montreal Symphony Orchestra conducted by Charles Dutoit. Basilique Notre Dame (842 2112), final night.

**Tokyo**

Hiroko Nakamura (piano), with the Yomiuri Nippon Symphony Orchestra, conducted by Kazushi Ohno. Mozart, Grieg. Suntory Hall (Mon) (368 9999).

# Maria Ewing

**ROYAL ALBERT HALL/RADIO 3**

Maria Ewing crossed over from opera to Broadway and Hollywood songs on Saturday night, sang into a mike and gave the Promers a fix of standard items from Gershwin, Kern, Porter, Schwartz and Arlen. Richard Rodney Bennett was there at the piano and the BBC Concert Orchestra, conducted by Barry Wordsworth, crossed over into the Big Band Sound. Ewing looked terrific. Gorgeous figure; tight black skirt; black jacket with sequins; silvery, sequinned bustier and shoes.

Oh, she knows tha songs, loves their tradition. "The Man That Got Away" was absolutely School of Judy Garland. She can communicate words ("So swell to keep every home fire burning for" and "My, dear, it's four leaf clover time"), and occasionally use breath control to fine effect. No condescension, just a varied, communicative personality. But she's not yet the original singer of these songs that she could be.

She has said that "the whole point of doing this concert is to show that we are as serious about this as we are about the classics." So why serve up Porter, Kern, Gershwin in medley form? These songs deserve to be built individually. And performers from Irene Dunne to Barbara Cook have given these notes cleaner attack, crisper diction, sharper rythmic pointing – have sounded, too, more like sopranos. Ewing's Garland-like style doesn't yet quite accord with Bennett's light jazz pianism. Neil Richardson's oversize orchestrations didn't help. "Fascinatin' Rythm" was a misnomer. At encore time, however, Ewing and Bennett reached their most rapt in "More Than You Know." Wouldn't the whole affair have been more stylish, more absorbing, if it had been only Ewing, unamplified, and Bennett?

The whole programme celebrated tha best American tradition of bridging high art and a popular culture. In the first half, Wordsworth conducted Leonard Bernstein's *Candide* overture, four dance episodes from Aaron Copland's *Rodeo* and, with Bennett as an especially salon-scale soloist, Gershwin's *Rhapsody in Blue*.

Though the BBC Concert Orchestra could have been more keenly co-ordinated throughout, Copland's soundworld in the *Rodeo* dances conjured up vividly a sense of place, of various times of day and of a cowboy society all far from the Albert Hall.

**Alastair Macaulay**

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Monday July 31 1989

# Progress on arms control

ARMS CONTROL negotiators are adjourning for tbe long summer break with much to show in the conventional field, some movement on chemical weapons, but very little progress in the nuclesr erea. Nuclear arms control negotiations, whicb used to be considered the main barometer of east-west relations, have lately been given a somewhat lower priority hy governments. That is not surprising in view of the serious domestic problems demanding Mr Mikhail Gorbachev's attention and the fact that the new US Administration is still sorting out its disegreements with Congress over the financing of nuclear defence.

Nor is it necessarily undesirable that Washington and its allies should be concentrating at least as much on ways of achieving closer political and economic relations with Eastern Europe as on arms control negotiations. Disarmament agreements can help to bring about a better east-west climate, but they cannot by themselves lead to a lasting improvement in relations if they are not based on solid progress in other areas.

## Elimination

From the West's point of view, too, it is much more important for the moment to eliminste the Warsaw Pact's vast superiority in conventional forces and weapons in Europe, than to reduce strategic nuclear weapons which Nato has always considered to be the most effective deterrent to war. If he had his own way, Mr Gorhachev, who favours the complete elimination of nuclear weapons, would certainly reverse the priorities. But he has recognised that Nato, having already accepted with some reluctance the total abolition of medium-range nuclear missiles, would drag its feet on further nuclear arms cuts in the absence of progress in the conventional field.

The urgent need to make substantial cuts in defence spending to finance his economic reform programme has been another important factor in Mr Gorbachev's acceptance of the Western arms control agenda, particularly since the savings to be made on conventional forces are still higher than the ones that can be generated by nuclear arms reductions. The conditions for an agreement on conventional forces are propitious, even if President George Busb's 12-month timetable is considered by many officials and experts on both sides to be over-optimistic.

## Disagreements

Nato has tahled its detailed package of proposals, based on President Busb's Nato summit offer last May, in the middle of this month, eight weeks earlier than planned. It would be foolisb to minimise tbe difficulties that still remain. The Soviet demand to exclude defensive aircraft from the proposed cuts and to include British, French, Canadian and otber allied troops stationed in West Germany in the equal ceiling for the US and the Soviet Union proposed by President Bnsh, are important disegreements which will not easily be overcome. The elaboration of a rigorous verification regime is also presenting enormous problems.

These difficulties, however, have to be set against what Mr Stephen Ledogar, the head of tbe US delegation to the Vienna talks on Conventional Forces in Europe, has described as "the breathtaking rapidity" of the progress of the negotiations whicb began only last March. The two sides are now close enough on the definitions and ceilings for land systems such as tanks, armoured troop carriers and artillery, to make an agreement only a matter of time.

The only proviso is that Moscow might, at the last moment, make a conventional arms agreement subject to cuts in short-range nuclear weapons in Europe, as General Dmitri Yazov, the Soviet Defence Minister, hinted during his visit to Britain last week. In that case, the West must stand firm on the compromise it reached with so much difficulty at the Nato summit in May, namely that it would not agree to negotiations on short-range missiles until substantial conventional reductions were under way. It can afford to do so, for Mr Gorhachev's difficulties at home are now so great that he will not want to add to them hy risking an international setback.

# Lessons from the docks

WARNINGS that the hot summer of 1989 marks a resurgence of union strength in Britain seem to be premature. If the rail strike was an unpleasant reminder of the monopoly power which trade unions still enjoy in parts of the public sector, the apparent crumbling of the national dock strike suggests a more familiar lesson: attempts hy unions to resist commercial and technological change are likely to fail, especially if tbey are faced witb a determined response from employers. An important issue is how far the remaining protected industries, including the railways, can be exposed to similar pressures, and, if not, whether collective bargaining rules and procedures need to be altered.

The omens for the set piece struggle over tbe docks were not good from tbe trade unions' point of view. In the 1980s steel workers, printers and miners have all lost in disputes with employers intent on a long-term restructuring of traditional industries. Union members have become sceptical of the value of industrial crueades. Steelworkers, for example, have learnt that their only hope of job security lies in the efficiency of the unit which employs them. Even though the bulk of the industry is still in the hands of a eingle employer, British Steel, bargaining over wages and conditions has been devolved to local level.

## Competition

Steel is an international industry in which most users can switch from British to foreign suppliers. In the docks the changing patterns of freight transport and the rapid growth of East Coast ports such as Felixstowe have injected competition into the industry, making an irrelevance of the inflexihle nationsl dock labour scheme and of national bargaining. It makes little sense for small ports in Cornwall, with a handful of dockers, to be bound by the same conditions as a port such as London which employs more than 1,000. Collective bargaining should be tailored to these differing business conditions.

The drift back to work in the docks is partly fuelled by warnings of imminent dismissal. But it also suggests dockers' local loyalties are stronger than the allure of a national agreement. The task for port employers is to deliver on their promises of modernisation and to take their workers with them into a more efficient industry.

Can some of the same forces be hrought to bear on the railways? Privatisation and restructuring should reduce the monopoly power of the National Union of Railwaymen. But an integrated network, probably requiring some form of bargaining at national level, will remain; in some parts of the business, especially in the South East, the railways will continue to enjoy an effective monopoly.

## Constraints

in the short term the management of British Rail needs to press ahead with its reforms of collective bargaining, so that wages better reflect local labonr markets and the demand for particular skills. As for legal changes, some new constraints may be appropriate – the simultaneous shut-down of the commuter rail network and the London Underground was particularly indefensihle – but a general ban on strikes in essential pnblic services is problematic. Better approaches might be to extend the role of pay review bodies, which could guarantee predictahle pay increases in exchange for continuity of production. Another approach would be to constrain collective bargaining within pre-set limits, so workers are assured a rise within a middle range of privnte sector pay agreements. This could be combined with the introduction of compulsory arhitration to reeolve disputes wlthout strikes.

Some way of constraining the use of monopoly union power in essential public services is needed. But, as the example of the docks shows, commercial pressure is the most effective way of bringing about reforms in collective bargaining. The Government's long-term aim must he to restructure the railway industry in a way which keeps monopoly power to a minimum.

**David Marsh** looks at the build-up of pressure for change in East Germany

Terry Kirk

View from the east: The Brandenburg gate at the dividing line of the two Berlins

# A slow return from the cold

One of the landmarks of the battered West Berlin district of Kreuzberg is the disnsed chnrch of St Thomas, only yards away from the barren ugliness of the Wall. Next to the hricked-up porch is an enigmatic inscription: "Only emptiness is everlasting."

On the other side of the guarded concrete girdle dividing the city, the East German Government is nursing its reputation as one of the most obdurate in the Communist world. On a recent trip across the Wall at Checkpoint Cbarlie, customs officials insisted on taking away and examining my copy of the liberal Süddeutsche Zeitung newspaper to see if it was "fascist" literature.

Unflinching in the face of political reforms in the Soviet Union, Poland and Hungary, Mr Erich Honecker, the 76-year-old East German leader, reaffirmed at the end of June thet the East German state was the "front-line bastion of socialism" separating communism from the "imperialist system" in western Europe.

The basic political ideas of Mr Honecker and most of his elderly fellow-leaders in East Berlin were formed during agitation against the Nazis ln the 1930s. Bnt for Mr Honecker, head of the East German Communist Party since 1971, the changing tide of East-West politics is now starting to build up pressure from all sides. Although he has recently appeared in good health, the illness which forced Mr Honecker to return home early from a recent Warsaw Pact summit has increased speculation that he might stand down.

In other parts of eastern Europe, moves towards pluralism and democracy put at risk systems of government, not the existence of nations. In East Germany, however, a serious weakening of Marxist-Leninism would threaten the future of the state itself.

West Germany's strong capitalist economy next door and its constitutional goal of achieving some form of German reunification, place unique strains on the old men in East Berlin. And the Soviet Union, while as keen as Mr Honecker on stability, has made no secret of its impatience with East Berlin's snail-like reform pace.

West Germany represents not only a point of comparison, but also a refuge, for East Germans dissatisfied witb life under Communism. West German television provides East Germans with a reliable source of information for what is going on in the West – as well as in neighbouring eastern bloc countries.

"There is a fundamental difference from the Poles and the Hungarians. They are people with an unbroken national consciousness," says Mr Hans-Otto Furian, a spokesman for the East Berlin Protestant Church, which has become a leading channel for focusing discontent with the East German regime. "In the German Democratic Republic, there is hardly any national consciousness," says Mr Furian, speaking in his office in East Berlin in a street close to the Wall.

"The people feel themselves as Germans living in this part of Germany. The German Democratic Republic is a creation of the Cold War. What will become of it when the Cold War flags and confrontation is eased?"

East Germany is Communist Europe's industrial showpiece, but, in economic terms, it is lagging ever further behind the West. A combination of relative material comfort, social discipline and a well-organised police apparatus has kept outhreaks of popular dissatisfaction limited to small and badly organised environmental and human rights movements.

The Germanic desire of most of the country's citizens for order and settled conditions – and distaste for the uncertainty and disturbances in Poland and the Soviet Union – may turn out to be the East Berlin leadership's strongest card. But 20 per cent of its population has fled to West Germany since the two states were established in 1949. In the first six months of this year, 44,000 East Germans emigrated to the West, hy both legal and illegal means, against 40,000 in the wbole of 1988.

The total number of departures this year will he the highest since the building of the Berlin Wall in 1961. Constant emigration of disillusioned citizenry prevents dissidence from building up to a critical mass, but also reduces East Germany's stock of motivated people needed to holster economic competitiveness.

Pointing to the thousands of sailing boats on lakes around East Berlin at weekends, a senior West German diplomat in East Berlin says East Germans are relatively well-off. But discontent has risen. "East and south of East Germany, there is movement. People see Gorbachev going into an election booth. They know what is happening in Hungary and Poland. They look at their old leadership and say, 'We have the last Stalinists.'"

Mr Honecker's moves from 1987 onwards to allow many more East Germans – especially younger people – to go to the West on temporary visits may turn out to have been a serious error. The "opening" policy – heavily snpported, and subsidised, by the West Germans – appears to have increased dissatisfaction with life in East Germany. "People I speak to (after returning from visits to West Germany) are often overwhelmed," says another western diplomat in East Berlin. "It is not just the shops (in the West). What gets them is that they can drive to Brussels or Luxembourg, or they can stand up in a bar and say what they think without a policeman coming round to their home the next day. Then they come back here and realise what a claustrophobic place they live in."

As a sign of the strains on the leadership, East Germany was virtually alone in east Europe (with Romania) in supporting the brutal repression in China last month. East Germans are well aware, via West German TV, of the reports of the massacre in Peking. The East German media disseminated the official Chinese version of events. The East Berlin police twice in June broke up peaceful demonstrations by young people trying to band in protest letters to the Chinese embassy.

Allegations of police brutality – including action against East German Christians – has added to unrest whicb was fuelled hy suspicions of large-scale electoral fraud at May's single-candidate municipal elections. The security forces have intervened in both East Berlin and Leipzig to disperse protests over the fraud allegations.

Wolfgang Triebler is priest of the Church of the Redeemer in East Berlin, which has organised peaceful protests against the Chinese crackdown. He says young people in the capital were distressed "not only about what happened (in Peking), but also about how it was reported." He says one factor behind discontent is young people's frustrated desire to go off hitchhiking through Europe.

Mr Triehler says that the East German Government's establisbed economic and social policies – for instance, beavy subsidisation of basic goods and rents – have a price. "Young people bave many dreems, ideas, wishes. So when the dreams are dashed, they react with sensitivity . . . The grester the failings (in society), the greater tbe dreams."

A senior official at the East German Foreign Ministry defends East Berlin's reaction over the Peking repression on the grounds of "non-interference" in other countries' affairs. But there is a domestic policy reason too. "It is a qnestion of people attacking central state power. That is where the joking has to stop," be says.

Asked about the Berlin Wall, the official says, "We do not see it as a masterpiece of architecture." But he comes out with a new justification for the barrier, based on recent remarks by Stefan Heym, the East Berlin author: to bar neo-Fascism which could spread to East Germany from the rise of new radical right-wing parties in West Germany.

Mr Honecker said a few months ago that the Wall could last another 100 yeers. But he has been trying to improve the regime's hard-line image on human rights. He confirmed this month to Mr Rndolf Seiters, the Bonn Chancellery Minister in charge of operational policies towards East Germany, that soldiers' orders to shoot escapees had now been dropped formally. The announcement may well prompt a further wave of attempted escapes in coming weeks.

The Warsaw Pact's declaration setting down the right of Communist states to choose their own political systems without external interference may present Mr Honecker with drawbacks as well as advantages. On the face of it, the rejection of the so-called Brezhnev doctrine of Soviet hegemony in eastern Europe, leaves the East Berlin leadership free to apply its own criteria on how communist society should be run. But, if events should turn out hadly, Mr Gorbachev's non-interference policy would leave Mr Honecker on his own.

An important role may yet he played by the 380,000 Soviet soldiers in East Germany – hy far the largest foreign troop contingent in either east or west Europe. The East Berlin Government insists the troops are there for external military reasons, rather than to maintain Moscow's internal hold. But hig cuts in the Soviet presence in coming years – possibly as a result of negotiations between Washington and Moscow – would undouhtedly send a political signal to the 16m population. If sizeable numbers of Soviet troops were really withdrawn, East Germans would be likely to see their future, even more than they do at present, not as Communists, but as Germans.

**AMONG THE** stream of 40,000 emigrés from East to West Germany last year, Klans-Dieter Krodofil and his family have no regrets abont starting a new life.

**Mr Krodofil, 38, and his wife Petra (37) together wlth their two sons, Raik (18) and Sascha (10) crossed to the West in May 1988. They come from Halle, the birtbplace of Mr Hans-Dietrich Genscher the West German Foreign Minister.**

**Many emigrés have found difficulty in adjnsting to conditions in the West. Some have been the focus of suspicion and hostility from West Germans who fear the emigrés are being given preferential treatment for housing and jobs. However, the cheerful and determined Krodofils quickly found their feet.**

**After a week in the resettlement camp at Glessen in Hesse, they moved to Hassloch in the Rhine Palatinate, in south-west Germany. Mr Krodofil, his wife and elder son started work at a hypermarket. The family has bought a car and has just spent their first foreign holiday on the Costa Brava.**

**In East Germany, the parents' bitterness about life under communism had grown as they saw their sons subjected to militaristic indoctrination at school. In October 1985, the family lodged a request for emigration. After 21/2 years waiting, and sporadic harassment from the East German anthorities, they were allowed to leave.**

**"We were watching television . . . ," recalls Mr Krodofil. "The phone call came from the security services. The next day we were on the train. We came with suitcases full of optimism."**

**Petra, a hairdresser, says she values the quality of life in the West and the personal freedom, together with escape from the constant patronising from the Communist anthorities.**

**A builder by trade, Mr Krodofil earns DM 1,700 (£548) a month at the Massa hypermarket, his wife DM 1,300 in the hairdressing department. Raik is on a wage of DM 522. Their flat costs DM 418 a month. The family received a DM 7,000 municipal credit to equip their new home.**

**Many East Germans find it difficult to resist embarking on a spending spree in the West, but the Krodofils have been careful to keep within their means.**

**One cloud remains. Raik's fiancée, 18-year-old Jacqueline Schyska, also from Halle, has applied to emigrate with her parents, but they have yet to receive a permit.**

# OBSERVER

## The Sun also rises

■ The Press Council's inquiry into newspaper coverage of the Hillsborough football disaster in April was a test case in a number of ways. For a start, pnblic anger was unusually high. The Council received 349 written complaints from a total of 3,651 signatories within a month. They involved 35 newspapers, including most of the quality papers as well as the pops.

Subsequently, the Home Office passed to the Press Council a petition from the Merseyside Area Student Organisation with around 7,000 signatories complaining about one particular article in The Sun.

At the same time, the Press Council was under new chairmanship, Louis Blom-Cooper QC having just taken over from Sir Zelman Cowen. There were many who thought, and think, that the Blom-Cooper stewardship is the Council's last chance to show that it can regulate itself. Otherwise there will be some form of statutory control, as indeed there very nearly was with two Private Members' Bills – on privacy and the right of reply – in the last Parliamentary session.

The present state of play is that the Government is against such controls, but has set up an inquiry under David Calcutt, the Master of Magdalene College, Cambridge, and chairman of the Takeover Panel, to look into the whole question.

So the adjudication on Hillsborough mattered. It has come quite fast, which was not always the case before. It argues that there is a case for the publication of photographs, however horrific the events they portray. And it says, essentially, that matters of taste are at the discretion of editors.

It does, however, condemn The Sun for the article to which the 7,000 signatories objected. It says that it "was unbalanced and its general effect misleading." The headline on the article was "The Truth". Thet, says the Council, was "insensitive, provocative and unwarranted."

The twist to the story is that Kelvin MacKenzie, the editor of The Sun, said yesterday that he accepts the findings, regrets the story, especially the way it was presented, and will try not to do such a thing again. The Press Council's report also notes that The Sun's own Ombudsman declared that the article should not have been published in the form in which it appeared.

That may be a little bit of newspaper history, and perhaps we shall not have statutory controls after all.


"I don't care bow long we're here – no daughter of mine is marrying an air traffic controller"

## Dukakis now

■ Spare a thought for Governor Michael Dukakis. A year ago he was leading George Bush in the US election campaign by 15 points in the opinion polls. Today he is one of the fastest forgotten presidential candidates in living memory and scarcely ventures to reappear on the national stage.

One reason is the fiscal crisis he faces in his bome state of Massachusetts. This month Dukakis announced he was stripping $500m from the $11.6bn state budget, wreaking havoc with many of the social programmes which he championed over the years.

The spending cuts were final proof of what he and his campaign advisers persistently denied last year: that Massachusetts was facing a buge fiscal deficit and that new taxes would be needed to balance the budget.

Dukakis made matters worse by announcing last January that he would not run for a fourth term. The move turned him into a lame duck for two full years, and antagonised voters who in the past have always regarded him as the "Castor Oil candidate" – something that may not taste good, but at least does good. Now humper stickers in Boston read sadly: "Duke makes me Puke."

It is hard not to have some sympathy for the Governor, a taut, introspective politician who prided himself on his competence. Shortly after the election, his wife, Kitty, confessed sbe was dependent on alcohol and had been so for most of the campaign. She went into a clinic for treatment and returned home in March.

Dukakis's personal and political difficulties have revived the old gossip about his state of mind, and his propensity for slipping into black moods. His friends concede that the state's fiscal problems have shaken his confidence; but they point out, correctly, that other large states – such as New York and Coonecticut – have experienced similar difficulties due to the severe downturn in state revenues following the tax reform act of 1986.

Can the Duke come back? There was speculation this year that he announced his resignation as governor at an early date in order to give himself two years to prepare for another run for the Presidency. It seems improbable. Dukakis cares deeply about his wife's health – far more than, say, Teddy Kennedy, who took his wife, Joan, on the road in 1980 and then left her after he lost the Democratic nomination. He and his advisers know, too, thet the voters would not welcome a second coming.

There is still resentment in the national Democratic party at the incompetent campaign waged by Dukakis against the Republicans. Democrats still believe that 1988 could have been their year. Dukakis's strongest card was his record as a state governor. The mess in Massachusetts has stripped him even of tbat.

## Sad exit

■ Shortly before he left the Foreign Secretaryship, Sir Geoffrey Howe asked for an enlarged version of e splendid pbotograph sbowing him (smiling) along with the Prime Minister and the Chancellor of the Exchequer at the Madrid summit meeting. When my colleague went to deliver it to the official residence at No 1 Carlton Gardens last week, he was met hy puzzled looks. The policeman and doorman said: "I'm afraid he no longer lives bere and we don't know where to forward his mail. Perhaps you should try the Foreign Office."

## Prescient

■ Card on the notice board of a Surrey women's cluo: "The talk by Mrs Williams on 'Why I rely on my horoscope' has been cancelled, due to unforeseen circumstances."

Stephen Fidler on Lloyds' decision to make heavy new provisions against the problem of Third World loans

# A darkening outlook despite Mexico deal

In an agreement heralded as a great success for the new international debt strategy launched in March, 15 leading banks agreed in Washington last week on the main points of a landmark debt reduction deal for Mexico.

Five days later, the chairman of one of those banks – Lloyds of the UK – pronounced the outlook for Third World debt as "darkening" as his bank took another large chunk out of earnings to build reserves against possible loan losses.

On the face of it, the excitement generated by the deal for Mexico, the second-largest developing country debtor with foreign debts of $100bn, and the gloomy prognostications of Sir Jeremy Morse appear contradictory. In fact, they are symptomatic of the same deepening problem.

Along with banks on both sides of the Atlantic, Lloyds followed Citibank – the largest US bank – in building up a big cushion of reserves in 1987 against default by Third World debtors.

Over the past couple of months, the Bank of England has made it clear that it would not be averse to a further increase. Given the way the Bank of England operates, it would be very surprising if the other UK banks, when they report earnings this week, did not do something very similar to Lloyds.

In many ways Lloyds is simply catching up with banks in other parts of the world and as such its move does not have the significance of Citibank's two years earlier. But Sir Jeremy does not hide his regret that it has proved necessary: "It's very disappointing after the large exceptional charge that we made in 1987 that we find ourselves again with a figure of this size," he said last week.

One aspect of the problem is that country after country has gone into arrears on interest – forcing the bank to announce more country-specific provisions of £183m. Lloyds says that 15 countries out of the 29 problem debtor countries which owe it money are in arrears on their debt payments, including Venezuela which became a late payer this year.

But the uncertainty generated in part by the new debt initiative launched in March by the US Treasury Secretary, Mr Nicholas Brady, was blamed by Lloyds for the £300m increase in its general provisions. Together, they swung the bank into a £88m loss for the first half of the year. However, the bank now has provisions to cover 47 per cent of its problem loans – provided it obtains the expected tax relief – compared with 34 per cent before.

Deepening arrears were an important factor behind the US decision to revitalise the international debt strategy this year. Faced with severe problems in obtaining new loans from banks, many countries resorted to financing their balance of payments deficits by building up arrears with their bank creditors.

The course on which the US decided – the Brady initiative – met controversy from the first, although it has now won international support.

**UK problem country exposure**
£million

| | ARGENTINA | | BRAZIL | | MEXICO | | TOTAL | | RESERVED | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1988* | 1987 | 1988* | 1987 | 1988* | 1987 | 1988* | 1987 | 1988* | 1987 |
| NatWest | | | | | | | 2,489 | 2,473 | 33% | 33% |
| Barclays | 315 | 338 | 344 | 359 | 515 | 580 | 2,627 | 2,760 | 31% | 29% |
| Midland | 700 | 630 | 1,172 | 1,413 | 1,000 | 1,255 | 4,176 | 4,194 | 33% | 29% |
| Lloyds | 547 | 405 | 1,102 | 1,117 | 705 | 763 | 4,185 | 3,932 | 47% | 34% |

*First half 1989

The idea was to switch the focus of the strategy from new bank loans to a negotiated reduction of bank debts. Official resources from the International Monetary Fund and World Bank would be used to facilitate debt reduction.

The US was not offering a blueprint: this would be worked out on a case-by-case basis between the debtor country and its creditor banks.

In the event, it has proved fraught with contradictions. The deal worked out in principle for Mexico last week – and there is further work to do before the deal is finalised and sold to all of Mexico's 500 creditor banks – has been made possible only by significant political pressure on both sides, much of it from the US Treasury. Furthermore, the Mexican test case and many of those which will follow will still require new loans from some banks – a tall order when other banks are writing off their loans. Because it is partly financed by IMF and World Bank loans, actual debt reduction for Mexico will be pretty small.

Indeed, Lloyds was among those banks which resisted significant concessions to Mexico most fiercely at the negotiating table. These banks were distinctly unhappy about the 35 per cent discount on their loans which some of them will have to accept in the Mexican package. Debt reduction for Mexico means, after all, loan write-downs for Lloyds.

Sir Jeremy and others see uncomfortable parallels with the 1930s when Latin American countries defaulted on obligations to bond investors, and settlements were eventually negotiated.

The Brady initiative's supporters see what is, in effect, a modest negotiated default as preferable to the more damaging confrontational defaults that they see as the alternative. The Mexican deal, in particular, depends very heavily on the confidence it is meant to generate inside the country, by enticing back into domestic investment some of the billions of dollars salted abroad by Mexicans.

Despite its flaws, the Brady plan has also offered something for debtor governments to aspire to. While their poor economic management was often to blame for their debt problems, the incentives to play the game by the rules were modest prior to the Brady plan. If it has improved incentives to rational economic behaviour, then that alone would be a big achievement. Many applaud, too, the implicit recognition that many debtor countries are simply unable to pay their way, at least without undesirable social consequences.

However, since only those debtors with IMF and World Bank economic programmes in place will benefit from the Brady proposals, it risks leaving some very important debtors outside its net.

Argentina, its economy in shambles, went into arrears with bank creditors in April last year, and now banks price its loans in the secondary market at a mere 19 cents on the dollar. Its arrears on its $62bn foreign debt exceed $3bn as its new President, Mr Carlos Saul Menem, embarks on attempts to correct years of economic mismanagement.

Brazil, the largest developing country debtor, which owes $112bn, is another great headache for banks. Because of a failure to meet economic targets, its lame-duck Government cannot get a disbursement of funds from the IMF, upon which hang vital further loans. If these loans are not disbursed, a $1.3bn interest payment due to banks in September looks extremely unlikely to be made.

Venezuela – owing more than $35bn – was up to date on both principal and interest with banks until the turn of the year. Then the payments dried up to a trickle. The country now wants a deal from the banks to reduce its debt by half. The banks have said no, but the arrears have been, in effect, sanctioned by the IMF which has disbursed a loan to the Government.

Other smaller debtors have resorted to arrears. Ecuador, which only owes $6bn to banks, is more than $1bn in arrears to them, dating back to 1987. Peru is in arrears dating back to 1985. The only significant debtors in Latin America current or almost current on payments to banks are Brazil – and it is looking shaky – Mexico, which is negotiating a debt-reduction deal, Colombia and Chile.

Against this background, the 47 per cent cushion built up by Lloyds looks appropriate. And, thanks to strong domestic earnings in 1988, the UK banks are in a good position to strengthen their balance sheets.

The reaction of the London stock market proved indicative if, at first sight, perverse. Bank shares rallied sharply on Friday, including Lloyds which, citing its underlying earnings growth, increased its dividend by 16 per cent. This reflects the psychology that banks, for so long under-performers in the UK and the US markets, will be re-rated as soon as they can put the unfortunate debt episode behind them.

Mr Rod Barrett, bank analyst at Hoare Govett said: "The debt provisioning is generally being greeted with relief that an element of uncertainty has been taken out of the situation." He pointed out that the shares of five banks, including Standard Chartered, had moved up sharply during the day, with Barclays putting on 5 per cent.

Lloyds, Standard Chartered and Midland are the greatest affected among the UK banks. Even though equal provisioning could push Midland into a significant loss at the half-year stage, most bank analysts felt banks would think it desirable that it was got out of the way at the interim stage.

Mr Terry Smith, of James Capel, pointed out that Standard Chartered – due to report on August 16 – has three substantial properties to sell – in Bangkok, Singapore, and the Bishopsgate office in London – which should realise £500m.

In practice, moves by the UK banks are unlikely to have an impact outside the country. Provided all UK banks follow, they will bring themselves into line with much of the rest of Europe. West German banks are up to 70 per cent protected against less developed country loan losses, thanks in part to generous tax treatment, while the French and Spanish banks are around 50 per cent cushioned.

In the US, Mr James McDermott of Keefe, Bruyette and Woods, the New York-based bank stock specialists, points out that the main US money centre banks – which have already reported half-way earnings – are between 22 and 50 per cent provisioned. Since the round of big provisions in 1987, most banks – with the exception of JP Morgan, Manufacturers Hanover and Citicorp – have gradually increased their reserves and are likely to continue to do so. Another round of "macho-provisioning" thus appears unlikely, he said.

However, for many banks, the Third World debt problem is still critically important despite the now conventional wisdom that banks worldwide are now strong enough to take losses. At one stage during the Mexican negotiations, the chairmen of most of the country's 15 leading creditor banks personally conducted five days of talks. Not the action of men who think they have put a problem behind them.

*Additional reporting by David Barchard*

## LOMBARD

# The limits to interest rates

**By Samuel Brittan**

UK NOMINAL interest rates are some 3 per cent to 7 per cent higher than German rates, depending on the maturity. These differentials can only persist because sterling is expected to depreciate at these rates.

If the market became more optimistic about sterling but interest rates ramained unchanged, sterling would rise to a level from which such a depreciation would again become plausible (as it has recently shown signs of doing).

The above tautology is known as the "interest parity theorem." Its recent restatement by Sir Alan Walters as the basis of his opposition to full membership of the European Monetary System caused quite a stir among economists who should have been familiar with it already. The essence of its anti-EMS implication is that, if sterling were rigidly tied to the D-Mark, British interest rates would have to be the same as German ones, which would be perverse for a country with higher inflation.

In the EMS, as it actually exists, parities are not rigidly fixed. There is a permitted 4½ per cent band of fluctuation and occasional modest realignments are still to be expected. Thus some variation in nominal interest rates is possible among members even without exchange controls.

My purpose, however, is not – readers may be relieved to learn – to debate EMS membership, but to point out that the limitations on interest rate policy to which Walters draws attention already exist, irrespective of whether a country is inside or outside the EMS. They apply among any group of countries between which capital movements are free, whatever the exchange rate regime.

This becomes clear as soon as attention is shifted from nominal to real interest rates. The most important influence on actual and expected exchange rates over a period of years is the difference in inflation rates. The 3 per cent to 7 per cent Anglo-German interest differential is offset by a corresponding difference in expected price movements in the two countries. Real interest rates – using price indices of traded goods for the deflator – cannot on average normally be higher in Britain than in Germany.

There will, of course, be fluctuations around the average. Markets will make mistakes and real interest rates will shift in response to sudden changes in monetary policy. These short-term dynamics are relevant for instance to the timing of EMS entry, as the Bank of England'e Governor explained in a lecture last week (although entry with an initially wider margin like Italy and Spain would be better than a fruitless quest for some ideally ripe time). But they do not permit Britain to run a permanently higher or lower level of real interest rate than Germany or any other country enjoying capital and currency freedom.

If monetary policy cannot in the long run affect real interest rates, what then becomes of the Chancellor's much-vaunted interest rate weapon? The Chancellor's power to raise or lower real interest rates is purely temporary; and it exists only because prices and wages react to monetary tightening with fairly long lags. In a monetary union this power would be lost, and in the EMS it would be reduced, in return for the permanent constraint of a currency link to a low-inflation country or bloc.

The immediate moral is not that the Chancellor needs new weapons or should revert to fiscal activism. It is that it would be better to describe what he is doing as tightening or loosening monetary policy, which might involve quite a complex path for nominal interest rates. While counter-inflationary credibility is low, nominal interest rates have to be high. As credibility recovers, a rising pound becomes the main force acting against inflation, until eventually nominal interest rates can and should be lowered to prevent policy from becoming tighter than intended.

Thus, inside or outside the EMS, long-run real interest rates are set in international markets; and even in the short run the degree of national control is limited if serious over and undershooting of exchange rates is to be avoided.

# LETTERS

## Delusions of adequacy

*From Mr William Low.*

Sir, In light of recent events in the City of London, there can be little doubt that many members of the financial sector are suffering from delusions of adequacy. To the objective observer, the idea that bankers and brokers are fit and proper to regulate themselves is nonsense.

To those of us far removed from the machinations of the money men, it is self evident that self regulation is doomed to failure. What is required is an independent body of regulators – none of whom is employed by the institutions being supervised.

The UK Government should emulate the example of the US Securities and Exchange Commission (SEC), established by the late President Roosevelt. His selection of Mr Joseph Kennedy – a noted Wall Street speculator – to head the SEC proved highly successful.

Surely there is no shortage of British candidates to take on this poacher–turned–gamekeeper role? My personal nomination would be Sir James Goldsmith.

William F. Low,
*5 Kirklee Terrace,*
*Glasgow, Scotland*

## Death by water

*From Mr L.T. Smith.*

Sir, It was reported in the Financial Times (July 24) that the water chiefs were resisting UK Government water pricing policy on the grounds that they are unrealistic – given capital spending levels required to improve water quality.

Consumers expect to pay the current cost of the water which they are buying from the water companies in any year.

Surely it is wrong to saddle them with the long term costs of water as well? As Lord Keynes is supposed to have said: "In the long term they will be dead." This will assuredly be the case with many water consumers who will be asked to pay inflated charges.

Long term capital required to improve the water companies' assets must be provided from equity or loan capital issues.

How this long term capital is to be remunerated should be taxing the minds of the "managers." They should not be allowed (using monopoly powers) to take it out of the pockets of the current water user.

L.T. Smith,
*23 Markham House,*
*Kingswood Drive, SE21*

## Combined heat and power deserves more attention

*From Mr Norman Jenkins.*

Sir, John Mason's report (July 19) at last gives us the real reason why the UK Government refuses to strengthen commitments in the Electricity Bill to promote combined heat and power (CHP) as a means of improving energy efficiency.

UNICHAL, the international union of heat distributors, administers 1,100 district heating "companies" with a rapidly growing total network exceeding 44,000 km – for the distribution of hot water and steam. The installed capacity for producing heat and power in combination exceeds 140,000 Mw – three times that of the Central Electricity Generating Board (CEGB) for electricity alone.

CHP is far more economical than sole electricity production, and is more economical in all terms, with full versatility in using almost any fuel.

In Graz, Austria, and in Brescia, Italy, there are limited liability companies entrusted with all local services – gas, electricity, hot and cold water, street lighting, traffic lights and street transport. Duplicating the complete emission control of Graz, Brescia has full electrostatic precipitation, flue gas desulphurisation (FGD) and final bag filtration.

Both plants have been working at full output for some years: the CEGB will not have its first FGD in operation for several years. The comparable scheme for Slough Estates, now proposed, will be only one quarter the size of Lamamora at Brescia.

To the unbiased student of international energy strategy it is now clear that the electricity supply industry will continue to fight tooth and nail to maintain technically, economically untenable, domination of the field.

For every kilowatt generated by CHP, both gas and electricity lose, irretrievably, three kilowatts of business. Over 40 years have been devoted to propaganda and to active suppression of the economics of CHP. For those who will take the trouble to analyse it the evidence is now available. The UK government has been deceived.

Norman Jenkins,
*Whitehill,*
*Ewshot,*
*Farnham, Surrey*

## Architecture beset by 'meddlers'

*From Mr J.M.H. Moir.*

Sir, Reading Colin Amery's introductory article to your summary on architecture (July 20), I agree that the architectural "profession" has lost its way. The solution lies in changes to the architectural education establishment, or at least to its curriculum.

"Professional status," which occupies a disquieting significance in the doctrine of architectural training, distances the student from the reality of the building site, increased intimacy with which is the only way to stronger respect for the "profession" in future.

The reason for absence of change or improvement in many architectural schools, some of which held international reputations in the past, is the meddlesome role played by the Royal Institute of British Architects (RIBA).

It is unique in its influence over training, as the schools where architects are prepared have to be "vetted" as well as the work being examined. In professions like accountancy and surveying, training is done "in harness" and successful examination results are the qualification for joining the profession. With architecture, the closest analogy is with the Law Society, which runs a number of schools in order to train solicitors.

The RIBA knows well that university schools of architecture live in fear of a poor "inspection report" from the RIBA, lest the University Funds Commission use this as an reason for closure.

The system subordinates the training of great designers and builders of tomorrow's Britain to the whims and aspirations of a closed group of would-be "professionals." This cannot be in the public interest.

Marcus Moir,
*133 Rue du Chemin Vert,*
*Paris 75011,*
*France*

*From Mr Richard Wort.*

Sir, In your architecture survey (July 20), your correspondents did not stress the difficulty of describing the styles of contemporary architecture.

The "Modern Movement," based on the ideas of Le Corbusier, lost its momentum in the 1970s, when it became clear that the polemics of Le Corbusier were too narrow for a good understanding of architecture. The demise of the "Modern Movement" created confusion. Le Corbusier had preached that architectural quality had nothing to do with architectural styles; he stressed the engineer's aesthetic.

The return to a broader view of architecture is welcome. But because many architects are taught that "style" is a lie, names for many styles developed since 1970 do not exist.

Richard Wort,
*Knole Cottage,*
*69 Murray Road, SW19*

## Pluck up drowned honour

*From Mr Edward Turnbull.*

Sir, Observer implies (July 21) that business-folk are under-represented in certain reference works. This seems to be quite fairly compensated by the fact that few chairmen of banks and public industries end their careers without some form of honour – usually a peerage or a knighthood.

There should be wide willingness to honour merit not so much *ex officio* as on the grounds of warm and humane individuality, regardless of the area of endeavour of any given person's career. I would also make a plea for earlier honours to be included in handbooks; this may assist future achievement rather than merely honouring past distinctions.

Edward Turnbull,
*38 Elsdon Road,*
*Gosforth, Northumberland*

FINANCIAL TIMES
Monday July 31 1989

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Janet Bush on Wall Street

# Asbestos fallout for firms

THE famous names of Drexel Burnham Lambert and Kohlberg, Kravis, Roberts crop up in unlikely places these days: the National Journal of Asbestos-in-Building Litigation of Springfield, Pennsylvania.

The two Wall Street firms have been named among the defendants in a $3bn class action suit of asbestos personal injury plaintiffs filed in a state court in Texas.

The suit, brought by the respected Houston firm of Susman Godfrey, charges that Drexel Burnham and KKR participated in the fraudulent transfer of assets of Jim Walter Corp to avoid asbestos judgments against its subsidiary, the Celotex Corp.

Mr Arthur McGuire, who publishes the National Journal, said: "This is the first suit by any plaintiff – either in personal injury or property damage cases – that names investment firms in an effort to get at the assets of a major defendant in asbestos building litigation.

"Although the law suit is brought by personal injury plaintiffs, the fact that it alleges a scheme to limit asbestos claims payments is of great importance in asbestos building litigation where the potential damages are even greater than in injury suits."

Also named as defendants are Jim Walter Corp and Celotex, four of their managers and a number of key personnel at the Wall Street firms, including Henry Kravis and George Roberts of KKR.

The suit alleges that in late 1987, the defendants implemented a complex series of corporate transactions intended to strip Jim Walter of virtually all of its valuable assets and thus limit the resources available to satisfy asbestos judgments against Celotex, named in more than 100 asbestos building law suits, and Jim Walter.

Susman Godfrey alleges that KKR masterminded the leveraged buy-out of Jim Walter in 1987 and 1988 and used many of the assets of the original Jim Walter to finance a purchase of its stock and to pay over $200m in fees and expenses.

The remainder, the suit alleges, would go to the KKR defendants and the directors named as defendants "to compensate them for the entrepreneurial skill it took for them to outmanoeuvre 80,000 asbestos victims."

Susman Godfrey says: "From the beginning, the scheme included the Drexel defendants who positioned themselves to make exorbitant fees for junk bond financing and other services."

It has to be taken into account that many an opportunistic class action is brought in America, a notoriously litigious society.

However, the involvement of Mr Stephen Susman, a prominent attorney, is grabbing attention, and lawyers for KKR said they are taking the suit seriously.

They argue that there is no case unless Susman Godfrey can prove that Jim Walter and Celotex are so intimately connected that Jim Walter can be regarded as the "alter ego" of Celotex.

"Celotex was unaffected by the LBO and if any asbestos liabilities are properly held to remain in Celotex, as we believe, then there is nothing to litigate," one KKR lawyer said.

KKR is arguing that the Texas court has no jurisdiction in this case. A judge has already ruled against this motion but has given leave to reapply on jurisdictional grounds in six months.

Mr James McCartt of Susman Godfrey believes that there is a strong case under the state's Fraudulent Transfer Act.

He stresses that the suit is not intended to attack the LBO but the alleged conspiracy to lessen any potential asbestos-related liabilities.

"I doubt that the LBO was done for that reason but the way the deal was structured was driven by the desire not to assume the asbestos liabilities. The deal would not have made economic sense without the assumption that this could be achieved," Mr McCartt said.

A judge may be predisposed towards asbestos victims rather than rich investment bankers, if the case is allowed to go to court.

Another class action suit against Jim Walter was filed six months ago, also in Texas, which did not name KKR and Drexel Burnham, but this has not moved very far.

Mr McCartt acknowledges that LBOs have been getting a bad press, but does not believe the suit depends on anti-LBO sentiment for its success.

**Janet Bush**

# BAT attacks Hoylake's US legal move

By Nikki Tait in London

BAT INDUSTRIES, the target in Britain's largest-ever takeover battle, yesterday hit out at a legal move by Hoylake Investments, the hostile bidder, to challenge the right of the US insurance regulators to have a say in Hoylake's £13bn ($21.5bn) offer for the tobacco-based conglomerate.

Hoylake, the bid vehicle for a UK consortium led by Anglo-French financier Sir James Goldsmith, initiated legal action in the US late on Friday, claiming that the application of certain state insurance holding company statutes to its bid "imposes an undue burden on commerce" and is unconstitutional.

The issue centres on Farmers Group, BAT's US insurance subsidiary, and the regulatory approvals which Hoylake needs to secure to allow its offer to go unconditional. Hoylake's problem is that it faces a fairly rigid 60-day bid timetable in the UK but a potentially lengthier time-scale in the quest for these approvals.

In its latest burst of legal action, Hoylake is arguing that the application of the statutes – which, it says, effectively allow the insurance authorities in nine states to approve or disapprove the offer – is "manifestly unconstitutional." They could jeopardise a "non-US offer for a non-US, non-insurance company."

Accordingly, it is "reluctantly" bringing suits in the US federal courts in an effort to debar the application of the statutes to its offer.

BAT, however, yesterday described the latest move by its predator as "an ill-judged manoeuvre" and Hoylake's current stance as "riddled with bewildering inconsistencies."

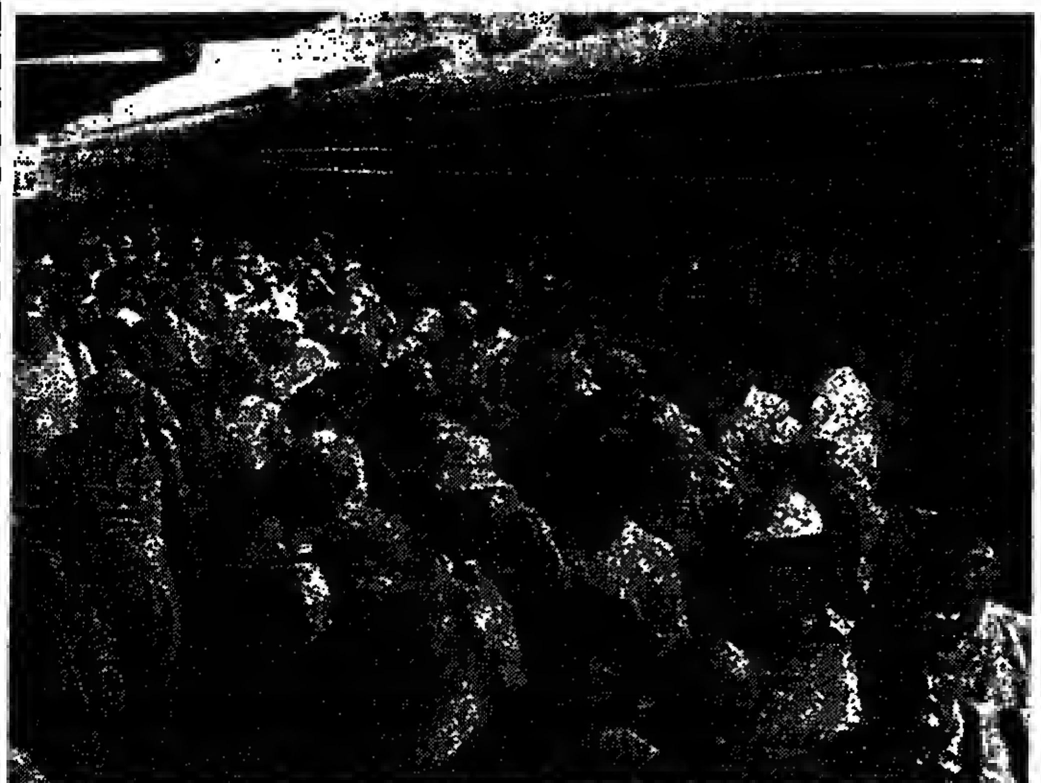
The defending group claimed inaccurate filings by its predator had delayed Hoylake's progress down the standard regulatory approval path and that the bidder was now "forum shopping" – that is, attempting open up the attack on different fronts.

It expected Farmers to have to defend its position and that of its policyholders in the wake of the latest legal action.

However, Hoylake still appears to be intent on following the normal regulatory approval path. In a letter to the insurance authorities in Idaho – which queried the bidder's initial filings – Hoylake makes clear it will be sending more information shortly.

Among the information promised once it becomes available is further detail on the financing of the offer, some pro forma financial statements, and a detailed description of the voting trust.

Takeover details, Page 17



Americans disembarking from a Peking train to join US embassy buses taking them to the airport during last month's government clampdown: the tourists may be a long time coming back

# Investors join the retreat from Tiananmen Square

CHINA may have already lost as much as $2bn in foreign exchange earnings from the collapse of tourism after the massacre of protesters in Tiananmen Square in June. It faces the loss of a similar amount again this year if the tourists do not return in the autumn, writes Robin Pauley, Asia Editor.

China's lost business opportunities may be quickly exploited by Vietnam and the Soviet Union: both are working hard and quickly to make themselves attractive to foreign investors.

These are among the principal conclusions of an analysis of the business prospects in China by Ms Lois Dougan Tretiak, Hong Kong-based director of Business International's China Division.

There was real doubt that the tourist industry would pick up this year, which posed problems for foreign exchange and for the companies involved in hotel joint ventures, she said.

In important tourist destinations such as Gweilin and Xi'an, hotel occupancy was reported to be under 10 per cent, and new hotels were being completed with no one to fill them, she added.

Although many business executives had now returned to China to work on existing projects, many others were waiting for a "decent interval" following the events of June.

Some had instructed their entire expatriate staff in China to take a holiday until the end of August. While some companies were sending executives on business trips to China, they were reluctant to send the top-level of management. This would change, probably by September or October, Ms Tretiak predicted.

There was evidence that existing foreign businesses were continuing to delay expansion or new investment and that companies considering setting up in China were awaiting developments.

"Companies are looking for signals from the new Chinese Government about what the future will be like. There have not been any yet or only discouraging ones, like the removal of foreign publications which suggests the open door is only partially open.

"Companies need a signal on martial law. They do not like operating under it and do not like troops on the streets with guns. Lifting martial law would make a lot of people feel a lot better but is not likely until after October 1 or even after January 1.

"The Chinese government's attitude to Fang Lizhi [the dissident taking refuge in the US embassy in Peking] and Zhao Ziyang [the deposed party leader] will be important signals to corporations about the future style."

It could take three or four years for the leadership of China to become clear and stable, the present leaders and their immediate successors are likely to be short-term.

During that period, companies would look carefully at China and the alternatives. Companies worked in difficult circumstances in many parts of the world and while conditions in China were now difficult, they were not impossible for business.

Until the next generation of leaders and their policies became clear, there would be a reluctance to risk as much in dollar-investment or in new and high-technology investments as was planned before.

"But companies like new frontiers. With China making itself less attractive, it may find itself losing not so much to the obvious alternatives like Thailand and the Philippines, but also to Vietnam and the Soviet Union which are cranking up.

"With costs so low in Vietnam, some companies may give it another look and even put in some of the infrastructure like generators themselves as they did in China.

"China is still a vast country and resources remain to be tapped. There are a lot of good business opportunities still there."

Hong Kong talks, Page 2

# Ministers try to ease tension in Sri Lanka

By Robin Pauley in London and K. K. Sharma in New Delhi

THE INDIAN and Sri Lankan Foreign Ministers will meet again today to try to defuse the crisis in Sri Lanka after a weekend of violence in which more than 150 were killed.

The deaths came during anti-Indian protests after the failure of the Sri Lankan Government to force India to withdraw all its troops from the island.

A nationwide curfew was relaxed for 10 hours early yesterday but was reimposed in the afternoon after people had a chance to replenish food supplies.

Some of the tension between the two countries has been eased by India's decision to withdraw a token 600 soldiers on Saturday night from the 45,000-strong peace-keeping force on the island and by a last-minute deal between Sri Lanka and India to discuss a timetable for a phased withdrawal of the remaining troops.

President Ranasinghe Premadasa attempted to present the deal as a success and said yesterday: "The protests staged against the continuance of the Indian Peace-Keeping Force in our country can now cease." He appealed to Sri Lankans "to work from now on to bring the country and the society back to normalcy and to restore peace."

However, he has suffered a humiliating defeat and the weekend violence suggests that his most extreme opponents, the Marxist JVP, a Sinhalese nationalist group, have not been appeased.

Mr Premadasa had demanded that all Indian troops leave the island by Saturday. At the very least he wanted the Indians confined to barracks with Sri Lankan officers in charge. India made plain that it would reject the demands.

When it became clear that Mr Premadasa's bluff had been called, Mr Ranjan Wijeratne, the Sri Lankan Foreign Minister, flew to Delhi on Saturday to negotiate with Mr Narasimha Rao, his Indian counterpart.

India says it is anxious to leave Sri Lanka, where more than 1,000 of its soldiers have been killed in the last two years. Its concern remains, however, that the devolution of powers to the north-eastern provincial council controlled by other Tamil groups should be completed.

# Court lifts ban on AT&T

Continued from Page 1

with potential partners who could provide other information and services.

Another important application is likely to be electronic yellow pages and classified advertising, which will bring AT&T into direct competition with the newspaper industry.

Because of its large customer base and its mastery of low-cost advanced telecommunications technology, AT&T is considered by some analysts to have a better chance of developing the consumer market for interactive databases and electronic services.

In contrast to the business and financial communities, where such services have been rapidly accepted, the growth in US household usage has been disappointing.

The most successful electronic publishing service in both the business and domestic markets is Dow Jones News Retrieval. In the home market,

## WORLD WEATHER

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 29 | 84 | Dubrovnik | S | 26 | 79 | Malta | S | 29 | 84 | Rhodes | S | 26 | 79 |
| Algiers | S | 30 | 86 | Edinburgh | C | 18 | 64 | Manchester | C | 16 | 61 | Rio de J'o | F | 25 | 77 |
| Amsterdam | R | 16 | 61 | Faro | S | 30 | 86 | Manila | R | 31 | 88 | Rome | S | 27 | 81 |
| Athens | F | 29 | 84 | Florence | F | 30 | 86 | Melbourne | C | 14 | 57 | Salzburg | F | 26 | 79 |
| Bahrain | S | 36 | 97 | Frankfurt | F | 23 | 73 | Mexico City | C | 22 | 72 | San Francisco | C | 19 | 66 |
| Bangkok | S | 32 | 90 | Funchal | F | 25 | 77 | Miami | S | 27 | 81 | Seoul | S | 30 | 86 |
| Barcelona | – | – | – | Geneva | S | 29 | 84 | Milan | S | 27 | 81 | Singapore | T | 26 | 79 |
| Beirut | F | [illegible] | [illegible] | Gibraltar | S | 28 | 82 | Montreal | S | 19 | 66 | Stockholm | R | 19 | 66 |
| Belfast | F | 17 | 63 | Glasgow | F | 18 | 64 | Moscow | F | 24 | 75 | Strasbourg | C | 27 | 81 |
| Belgrade | S | 27 | 81 | Guernsey | C | 15 | 59 | Munich | F | 26 | 79 | Sydney | C | 16 | 61 |
| Berlin | S | 23 | 73 | Helsinki | F | 21 | 70 | Nairobi | C | 19 | 66 | Taipei | F | 37 | 99 |
| Biarritz | F | 26 | 79 | H. Kong | C | 25 | 77 | Naples | S | 30 | 86 | Tangier | S | 34 | 93 |
| Bombay | – | – | – | Innsbruck | F | 24 | 75 | Nassau | F | 31 | 87 | Tel Aviv | S | 29 | 84 |
| Bordeaux | S | 27 | 81 | Inverness | C | 15 | 59 | New Delhi | R | 27 | 81 | Tenerife | F | 27 | 81 |
| Brussels | R | 17 | 63 | Islamabad | C | 33 | 91 | New York | C | 27 | 81 | Tokyo | F | 28 | 82 |
| Budapest | F | 25 | 77 | Istanbul | F | 28 | 82 | Nice | S | 28 | 83 | Toronto | S | 19 | 66 |
| B. Aires | C | 11 | 84 | Jakarta | S | 33 | 91 | Nicosia | F | 38 | 100 | Tunis | S | 32 | 90 |
| Cairo | S | 33 | 91 | Jersey | R | 17 | 63 | Oporto | S | 28 | 82 | Valencia | S | 32 | 90 |
| Cape Town | C | 14 | 57 | Jo'burg | S | 18 | 64 | Oslo | F | 22 | 72 | Venice | S | 25 | 79 |
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Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# Japanese plan expansion

Continued from Page 1

Mr Schmuckli said Sony's expansion could eventually include acquiring or collaborating with European companies in all or some of these fields.

Specifically, Sony's plans cover:

- The appointment of Mr Tjakko Schuringa, head of the European Commission's telecommunications division, to spearhead the company's thrust into telecommunications. He will head a new Sony unit, which Mr Schmuckli expects to have annual sales of more than $500m within five years.
- Sony will focus initially on mobile communications. It wants to join a consortium bidding for licences to operate one of Britain's planned personal communications networks, which are intended to bring mobile telephony within reach of a mass market.
- A decision within the next two months to build a $70m magnetic tape coating plant in either France or Italy. This will serve Sony's existing tape assembly plant in Northern Italy and raise the local content of its production from 50 per cent to almost 100 per cent.
- The establishment within the next two to three years of a full-scale semiconductor factory in Europe, at an estimated cost of at least $150m.
- Achievement of nearly 100 per cent local content in Sony's European-made VCRs and CD players by setting up local factories to produce video heads and drums and optical pickups for CDs. Sony was one of the Japanese companies affected by the European Commission's decision this month to impose anti-dumping penalties on imported CD players.
- Creation this year of two telecommunications research and development centres in Britain and West Germany. Sony also plans a similar centre in West Germany to develop high-definition television and is considering doing European research in semiconductors.

These planned facilities would initially employ about half-a-dozen engineers each. Sony already has development and engineering centres in Basingstoke, Britain, and Stuttgart, West Germany.

Sony's sales in Europe in the year ended March 31 exceeded $2.5bn and accounted for more than a fifth of its worldwide turnover. The company employs 8,200 people

THE LEX COLUMN

# The inspectors' right to speak

Slowly but perceptibly, since the County NatWest report appeared the idea has gained ground in the City that Department of Trade and Industry inspectors need their wings clipped a little in the interests of natural justice. The term Star Chamber has surfaced to describe the inspectors' conduct, on the grounds that individuals criticised have no right of appeal. And Lord Alexander, NatWest's chairman-designate, thinks the reports should not heap obloquy on named individuals at all, but limit themselves to a mere recital of fact.

These issues will doubtless be aired at great length in December, when a Commons select committee plans to start its own inquiry into the DTI's company investigation powers. But the MPs, and the City, should be under no illusions about the County report. Viewed historically, it sets no precedents in style or content; and since 54 of its 173 pages deal with the events of a mere two days in September 1987, it is in fact much more straightforward than previous DTI reports which unearthed years of mismanagement and queer accounting.

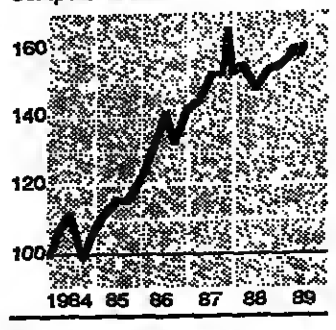
Inspectors' reports are relatively infrequent. Only 25 times since 1980 has the DTI used its power to send in inspectors under the catch-all section of the Companies Act employed in the County case. These investigations are for serious matters; it should be no surprise if they contain trenchant criticisms, and the County report is not noticeably harsher than the genre's classic, the 1973 report on Pergamon Press. The issue of a right of appeal has been old hat too, since Lord Denning rejected it in 1974.

There is another reason for not blunting the inspectors' edge. UK law makes it hard for individual shareholders to take legal action if they suspect wrongdoing by management. The DTI inspector is often their proxy, and should speak just as freely as they would wish to do themselves.

## Covered warrants

There is surely a place in the London market for covered warrants. They allow investors to take a much longer view than the most distant traded option. They also give the issuer a nice source of ready cash in return for a risk that can be wholly or partly offset. The reason for their absence was supposed to be that UK fund managers were too conservative; but the dash of covered warrant issues in the past few weeks suggests that is changing. Indeed, enthusiasts are already talking of a big liquid market, that will one day be a benchmark for companies to price their own warrants against.

**S&P Drugs index**
Relative to the Standard & Poors Composite Index




It is early days, but the reluctance of the issuing houses to follow Salomon and Bankers Trust is a little ominous. So are the complaints from some investors about the warrants being far too expensive. If they are that lucrative one might have expected everyone to be writing them by now, especially given the usual speed with which an innovative Euromarket money-spinner becomes a mass-produced loss-maker. The prudish mumbling by some of the UK houses about not wanting to offend clients with overpriced products does not sound right: perhaps they are still struggling with their warrant arithmetic. Alternatively, event risk may be part of the trouble: Salomon and Bankers Trust have already snatched all the bid-proof stocks, and the field may not fancy issuing warrants on the likes of Cadbury Schweppes, Thorn EMI, Trusthouse Forte or RHM.

## Drug mergers

Last week's proposed merger of Bristol-Myers and Squibb finally convinced the financial markets, at least, that the drug industry is going through an orgy of consolidation. There is certainly a lot going on: the latest merger comes hard on the heels of SmithKline Beecham and Dow/Marion Laboratories, and there are persistent rumours about other middle-sized US drug companies such as Syntex. Though mostly a US phenomenon, this could have wider relevance for the industry. US drug companies, besides being very numerous, are unlike most of their competitors in Europe or Japan in being open to merger or takeover in the first place.

But it is not clear how far the industry itself feels pressure to consolidate; or if it does, how far it should be encouraged. It is worth recalling that its returns on sales and capital employed remain exceptionally high, and that the worthwhile companies are still showing strong growth. As a result, though the real cost of research and development has risen steeply, it has remained broadly constant as a percentage of sales.

And as the fashion for merger suggests, these are not companies under threat of hostile takeover. Not only are they too expensive, they also depend heavily on the loyalty of their research scientists. And as Hoffman-la Roche found in its ill-judged assault on Sterling, any company under attack can easily find a less hostile suitor.

This is not to say that there may not be one or two more mergers to come. There is a certain change of scale in the industry's operations, and middle-ranking companies may feel under threat. But such marriages are not easy to arrange, depending as they do on compatibility of product, geography, research and personalities. Meanwhile, the real heavyweights of the industry, such as Merck and Glaxo, plainly feel they can take care of themselves.

## Building societies

In the old days building societies used to measure themselves in terms of balance sheet size and the bigger they were, the better. However, now that the Abbey National has flown the coop and others are keen to follow, new pecking orders are beginning to emerge based on profitability, balance sheet strength and efficiency. Indeed, it is a measure of the increasing competition in the industry that UBS Phillips & Drew's annual survey of building society performance comes in for almost as much criticism, as it does praise.

Combining a dozen performance criteria into a single ranking is tricky, but even allowing for subjective errors the study shows that some of the smaller building societies, like Cheltenham & Gloucester, Town & Country and Yorkshire, could have far more stock market appeal than a lumbering heavy-weight like the Halifax. Indeed, this might partly explain its reluctance to follow the Abbey's lead.

FINANCIAL TIMES
# COMPANIES & MARKETS
Monday July 31 1989



## INSIDE



# Arming up for battle with one eye fixed on the clock

## Three weeks after Hoylake launched its bid for BAT, both sides are jostling for position, reports Nikki Tait

The rattle of ammunition being stocked provides an ominous background as the £13bn ($21bn) bid for BAT Industries from Hoylake, the consortium vehicle representing Sir James Goldsmith and friends, lumbers towards its fourth week.

To date, most of the action has smacked of low-key guerrilla warfare, with Hoylake the more public of the two parties as it embarked on its lengthy round of institutional meetings, lunches and dinners.

If a straw poll of opinion among those attending is any guide, the general impressions split into two categories.

First, there is scarcely a fund manager who does not express at least grudging admiration for Sir James Goldsmith's personal charm and capacity to flatter an audience. The thoroughness with which he appears to hava prepared his case and presents his arguments also wins plaudits.

"I'd never met him before," remarks one fairly hard-nosed investment chief, controlling a major BAT stake, "and, yes, I was impressed. He's nobody's fool, it's a well-put case and it has a certain logic."

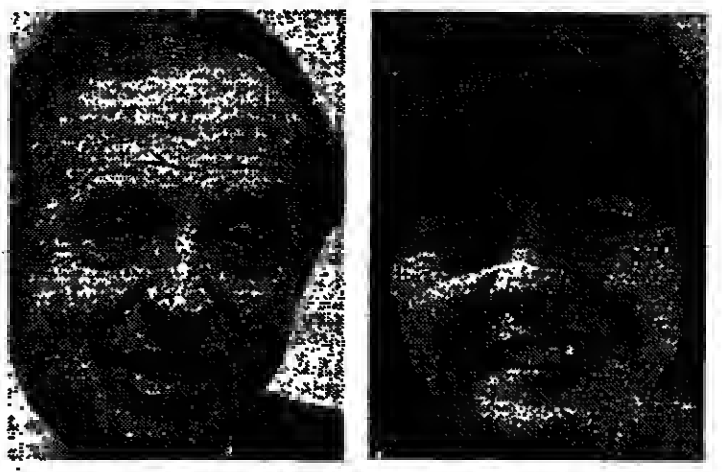
But move on to the details of the Hoylake bid itself, and opinions become far more guarded and certainly less clear-cut.

The Goldsmith presentation, though doubtless changing to a degree with his audience, seems to have centred on three points.

First, the broad "unbundling" philosophy which has been well-pnhlicised; aecond, the contention that the paper being offered by Hoylake is not "junk"; and third, the assertion that shareholders should have the right to decide about the fate of their company, unimpeded by the logistical difficulties of combining a 60-day UK bid timetable with the need to get certain regulatory consents in the US.

That seems to leave fund managers divided. Last week, some were taking the view that anything which might enhance the value of their holdings is worth listening to, and no-one believes that Hoylake'a final terms are on the table at this stage.

On the other hand, there are at least some who qnestion the hroad anti-conglomerate argument. And far more remain to be convinced thet, even if a reorganisation of BAT's assets is desirahle, Sir James is the right person to implement this. "When you hear him talk about shareholders' rights, it really is a bit rich," says one fund manager, recalling the Anglo-French financier's activities in the UK back in the 1970s.



Bid roles: Lord Alexander and Roxani Gillespie

With this sort of comment in mind, it is perhaps to be expected that – as one lobbied institution pnts it – "every merchant banker in the City seems to be looking at alternatives".

However, it is Sir James' third point which offers the biggest clue as to where much of the fight will concentrate in the immediate future. It has been obvious from the ontset that the rigid 60-day hid timetahle required in the UK sits uncomfortably alongside the need to secnre US state regulatory approval for the change of ownership of Farmers, BAT's US insurance subsidiary.

The Takeover Panel, currently under the chairmanship of Lord Alexander, would donhtless listen to any requests for an extension, but present thinking seems to suggest that a few days or perhaps the odd week is the most that might be contemplated. It is a point Hoylake itself seems to recognise. That said, both sides do appear to be arming themselves for this potential fight.

The Hoylake camp has heen quick to accuse its target of "frustrating action", in response to virtually any defence move made.

Equally, on the reverse side, there seems to be some glee in the BAT camp that Hoylake's initial speedy filings have fallen short of the insurance commissioners' requirements, among them California's Roxani Gillespie. The delay resulting from this is all grist to the mill if BAT needs to argue thet it is not so much the restraints of the Takeover Code as the bidder's carelessness that has provoked a clash in timetables.

At the same time, Hoylake has also shifted ground. Late on Friday, it decided to challenge the right of the insurance anthorities to sit in judgment on the Farmers issue and initiated court proceedings in a variety of states. Its claim is that the state insurance statutes effectively jeopardise a non-US offer for a non-US non-insurance company and are therefore unconstitutional.

Whether this should be interpreted as more than a feint, designed to increase pressure on the commissioners, is a moot point.

A letter from Hoylake to the Idaho reguletors, for example, makes clear that it still intends to supply at least some of the additional information requested in its ettempt to gain approval.

BAT, meanwhile, is quick to seize on the latest initiative, protesting it represents "an over-complication, which sits oddly with their characterisation of us as hiding behind the regulatory mechanism".

The other big regulatory hurdle – Sir Gordon Borrie's Office of Fair Trading and its advice vis-à-vis a UK Monopolies and Mergers Commission referral – has also been the subject of some puhlic parliamentary/industrial lohhying on BAT's behalf. But here timescales are easier and BAT, which concedes thet there is no obvious competition issue and rests its case on hroader public interest questions, says it will not make a formal submission until the Hoylake offer document arrives.

On that score, there is little expectation that Hoylake will move before August 8 – the maximum 28 days after the offer was announced. In this bid, time is very much of the essence.

# When Detroit catches a cold . . .

## By Anthony Harris in Washington

US industry, as reflected in surveys of purchasing officers and plant managers, is rapidly losing the confidence generated by more than six years of uninterrupted growth.

Mr Lee Iacocca of Chrysler, the personification of industrial self-confidence, has jnst announced a drive to cut employment by 8 per cent and reduce costs across the board. Nor will they be much comforted by the news that the Fed is on the alert against recession. The major problems they face are seen not as cyclical, but as structural. Mr Iacocce spoke of the biggest upheaval since the oil shock.

The defence industry knows that it is fighting a rearguard action. For the moment, President Bush is trying to defend them against a House of Representatives which is suffering from sticker shock – tha revelation that the B2 bomber programme is priced at $70bn (£44bn). During President Reagan's arms drive this would have been swallowed with scarcely a gulp. In any case, the House is simply anticipating what the President hopes to achieve before long – negotiated cuts which will kill a number of major programmes.

Meanwhile, it is not clear that the President can get his way. "There does not seem much downside in defying the White House", as a Democrat in the House put it last week. This sentiment has some sinister implications if the argument turns to protectionism.

Civilian high-tech is patchy. The aircraft industry is more than fully stretched and industrial equipment will thrive on attempts to cut costs – and pollution – even in a less buoyant economy.

Computer makers, on the other hand, now face a soft market. They have allowed the Japanese to steal most of the current growth market in high-powered lap-tops, and there is a nasty suspicion that for the rest they are now offering more power than their customers yet know how to use. Despite the huge fall in the real cost of power, this appears a somewhat saturated market.

The house-builders do not simply suspect saturation, they know it. They are praying that a new study from the National Bureau of Economic Research is misleading. This uses demography to project a soft market for the next 18 years, with prices cnmulatively lagging general inflation by nearly 50 per cent. It certainly could happen, as recent West German history shows.

It is fortunate for the rest of the world thet mnch of the sharpest pain is being felt in housing and defence, where there can be no question of foreign competition; and equally fortunately, the protectionists face a puzzle when it comes to the industry with the biggest emotional investment of all. As one commentator put it recently: "The US motor industry is not declining. It is simply being turned over to better managers – the Japanese."

The transplants, as they are known here – suggesting a vital organ thet the host might reject – are the one obsessional topic inside the industry. The market as a whole still looks robust, with total vehicle sales likely to pass 15m for the third straight year, though short of the 15.8m record last year.

The domestic assemblers set their own record of 13.1m in 1978, but three of the last four years have reached more than 90 per cent of that isolated figure. Sales of US-assembled cars are 5.2 per cent down so far this year; sad, but manageable if the US firms hed the market to themselves. They still have most of it, but do not expect to hold it for long.

The transplants took a little over 9 per cent of the car total last year; but for compensation, the US industry held on to 98 per cent of the rapid growth of truck output, up 9 per cent in the year to 5.1m, and np again by 4.4 per cent so far this year.

The future is darker. This year the transplants are expected to take more than 12 per cent of domestic output of cars, and a growing but still tiny share in trucks. By the final qnarter of this year, according to industry forecasts, car output from US-owned plants will be down 16 per cent from last year; and in the next five years or so, production from the transplants could reach 3m vehicles. The domestic makers argue that this will imply surplus capacity of some 2m vehicles, and the closure of perhaps 10 big plants.

This is very American logic; the transplants are ostensibly displacing imports, not domestically-ownad competition. It ignores the fact that the Japanese plants from the US will be exporting – as the EC Commission is vividly aware.

This is quite foreign to the thinking of the US companies; they make no significant exports outside Canada, and are bitterly aware that they are still losing sales to foreign nameplates, whether they come from Osaka or Kentucky. Not every month, and not every company; in the first 10 days of July even General Motors, which has lost more than a tenth of the total market in the last decade, gained market share; but the trend is relentless.

Some hours of discussing this with some senior GM executives was quite an education in the problems of American competitiveness. They are partly historic; the Big Three were making some really dreadful cars in the 1970s, as they admit. By next year, they hope to be fully competitive technically, but reputations take longer to build.

Marketing, though, is another story. The US industry tradition is to sell a dream rather than a means of transport. Ford thoroughly "Europeanised" its design six years ago, and has prospered with remarkably little promotion. Chrysler is rapidly losing share in cars, but is doing well with off-the-road vehicles and invented a whole new market in family vans, and holds half of it.

GM is still playing catch-up. It makes the best-looking cars, but to European eyes this is often at the cost of practicality; its message is diffused among five hrand names, selling near-identical cars. US car dealerships are a further handicap, dominated by hucksters who sell all brands, and have no loyalty except to success. It is horribly reminiscent of the early decline of BMC.

The management knows all this, and will no doubt improve its domestic act; bnt it is much further from joining a world market, in which domestic setbacks could be compensated in other markets. It is set apart by tradition, cheap gasoline and US safety and pollution standards, just as the engineering and appliance industries are set epart by non-metric dimension, US screw threads and voltage and the pattern of US demand.

Others can cater to the peculiar needs of this hnge market; it is much harder for US industry to adapt itself, on a venture, to the outside world. Effectively, this is protectionism turned upside down. It will take e new industrial revolution to get rid of it.

Economics Notebook

# Conflicting signals on EMU

IN 1977-78, when the then chancellor, Helmut Schmidt, was steering West German policies on setting up the European Monetary System (EMS), there was no douht in Bonn who was in charge of the undertaking. Just over a decade later, as Europe starts to embark on a new path to extend monetary integration a decisive step further, no-one has his hand on the West German tiller.

Western Europe is arguahly looking to the continent's most powerful economy for some sort of lead on furmulating policies on the goal of European monetary union (EMU). Yet, in keeping with the general fragmentation of West German politics, the Chancellery is no longer in charge.

Instead, a loose and sometimes competing coalition of interests is hringing out EMU suggestions piecemeal. There are some signs that Mr Helmut Kohl, the Chancellor, is seeking to draw the threads more closely together. Bnt, for the moment at least, one senior Bonn official admits, "No-one has the overview."

This may complicate further the EC's move along the path from July 1 1990 (the dete set by the Madrid summit for completing "stage one" of the integrative process) towards full-scale EMU at some uncertain date thereafter.

On one flank sits the Bundesbank, which voices consistent approval of EMU es a long-term goal, but has been sceptical obout some of the instruments proposed for getting there. This applies particularly to the idea of a European central bank and a common currency, which the Bundesbank sees as "not necessary" for the objective of EMU.

On the opposite wing is positioned Mr Hans-Dietrich Genscher, the Foreign Minister. He is keen to press ahead full speed with western European integration as a means of furthering his overall vision of hringing together east and west Europe.

In the middle is Mr Kohl. Unlike Mr Schmidt, Mr Kohl has no head for detailed economics. But as compensation, Mr Kohl boasts a more adept sense of the intricacies of remaining in power. Mr Kohl shares with Mr Genscher the vision of setting up a European central bank. This is partly as a means of completing Franco-German rapprochement, which the Chancellor, rightly, sees as post-war Europe's main success story.

Mr Kohl, howaver, resents suggestions that he somehow has not thought through properly the implications (above all, the transfer of monetary sovereignty to a supra-national institution) of any future move towards EMU.

France wants to convene as quickly as possible after July 1 next year an intra-governmental conference to prepare the way for changes in the Treaty of Rome to make monstary union possible. Mr Kohl has given instructions that the conference should be prepared with extreme care.

The view from Bonn is that such a session is unlikely to take place before the eutumn of 1990 at the earliest – and might have to wait until 1991 (after the German general election at the end of next year).

One reason for caution is political. The rise of the far right as a force in West German politics means that Mr Kohl has to be on his guard against decisions which look like concessions to the rest of Europe. The ideas of transferring monetary sovereignty away from the Bundesbank, and of one day replacing the D-Mark with a European currency, represent steps which the far right – and many ordinary Germans – find increasingly unpalatable.

As Mr Karl Otto Pöhl, the Bundeshank president, has pointed out, a move towards a European central bank and a common currency would only make sense if it provided a currency system at least as stable as that centred on the D-Mark.

Another reason why Gsrmany is in no real hurry on EMU is predominantly economic. In spite of the Bundesbank's qualms about the EMS when it was set up in 1979, the system has worked very much in West Germany's favour.

As Mr Pöhl says, the Bundesbank can live with the status qno – and so can Gsrman exporters. Because of the German-style "stability policies" successfully drummed into the heads of other EC members, tha EMS has allowed a high degree of nominal exchange rate stability in recent years.

Tha competitive exchange rate, together with a Europe-wide investment boom, has been a key factor behind Germany's mounting trade surplus with the rest of the EC – DM81hn ($41.5bn) last year, and likely to rise still further in 1989.

How long will it take before West Germany's EC partners grow restive with this state of affairs and press Bonn to spell out its stance on EMU with greater clarity?

Perhaps, quite a while. From Bonn's point of visw, the advantage of having no clear-cut policies on EMU is that it makes the Government less vulnerable to criticism. That can only suit the Chancellor. Mr Kohl's main goal between now and the end of 1990 – winning the election – will probably be served best by maintaining the present EMU opacity as long as he humanly can.

**David Marsh**

## THIS WEEK

THE EXTENT of the slowdown in US economic activity is likely to preoccupy financial markets this week. Labour market figures on Friday will provide the first clues about trends in July.

Recent months' employment statistics hava been closaly watched as an indicator of both growth and inflationary pressnres in ths economy. Slower growth in employment bas encouraged speculation about an easing in US monetary policy.

In June, non-farm employment increased by 180,000, below expectations. The consensus of analysts' forecast, compiled hy MMS International, the financial research company, is for a rise of 155,000 in July.

Ths employment rate is expected to have remained unchanged at 5.3 per cent.

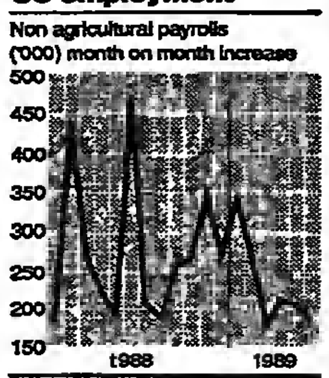
Other US figures inclnde leading indicators for June, released on Thursday, which are widely regarded as e good indicator of future growth trends. The indicators look forward three months and include factory ootput, money supply, consumer credit and prices. The consensus is for a 0.2 per cent fall.

In West Germany, trade figures for June are expected sometime this week. Only a modest, if any, easing in the cnrrent account surplus is expected – highlighting the scale of global trade imbalances. In May, the current account surplus was DM8.6bn.

Other West German statistics this week are likely to include industrial production and orders in June which will provide e guide to the strength of economic activity.

In a thin week for UK statistics, attention is likely to focus on Wednesdey's official reserves figures for July. These will provide an indication of the extent of Bank of England intervention in foreign exchange markets. With activity in the past month thought to have been light, the consensus of analysis' forecasts is for no change compared with June.

### US employment




Japanese statistics include unemployment figures for June, which are not expected to show much change from May, tomorrow. Official reserves figures for July are expected on Thursday.

Other events and statistics this week (with MMS International consensus in hrackets) include:

Today: UK, Bank of England publishes final money supply numbers for June and other financial statistics.

Tomorrow: US, construction expenditures in June (0.2 per cent fall). UK, Central Statistical Office publishes estimates of overseas earnings of the City in 1988. Organisation for Economic Co-operation and Development publishes survey on West Germany.

Wednesday: UK, Department of Employment publishes Employment Gazette. Advance energy statistics for June. US, new one-family home sales in June (up 0.8 per cent). Treasury refunding announcement. Group of Eight Latin American foreign ministers meet in Cartagena, Colombia, to discuss agende for end-of-year presidential summit.

Thursday: UK, housing starts and completions in June. Halifax Building Society publishes monthly house price index. US, domestic and imported car sales for July.

# INTERNATIONAL CAPITAL MARKETS

EUROCREDITS

## Caution deepens over Eurotunnel

THE NATURAL caution that bankers extend to project financings was deepened last week by suggestions that costs on the mammoth Eurotunnel project were escalating beyond limits set by lenders.

While Eurotnnnel's lead bankers urged calm, saying it was too early to tell wbether the Anglo-French consortium was actually in default on soma £5hn in loans, the project illustrates wby lenders have been demanding greater control over such financings in recent years. At issue is wbether Eurotunnel has exceeded mandatory limits on the size of cost overruns and, if so, what the bankers intend to do about it.

Eurotunnel has drawn down about £850m of the full £5bn available and is not set to make another drawdown until October. Bankers familiar with the project say that if Eurotunnel's cost overrun estimates are severe, it could be difficult to persuade lenders to put up additional funds withont a simultaneous infusion of fresh equity or some otber outside source of cash. "Lenders absolutely dislike being the sole sonrce of funding cost overruns," said an official at one bank involved.

Bankers are considered unlikely to invoke tbe most extreme provisions of the loan covenants which allow them to replace Eurotunnel's management and take control of the project in the event of default. They may instead wish to raise margins or fees on future borrowings or to limit future dividend payments to investors.

However, negotiations over additional funds may be complicated hy the fact that Mr Alistair Morton, joint British chairman of Eurotunnel, has already ruled ont a further rights issue to raise cash.

But Eurotunnel's loan covenants are not unique in project finance. And with lenders fully expecting a surge in UK infrastructure projects in future years, lenders will be closely watching the efficacy of its protective loan covenants.

Bankers note that a number of private electric power generation and water treatment projects are under way and larger scale projects in the next few years are fully expected.

Becanse of the absence of either government or third party completion guarantees – common, for instance, on North Sea oil drilling ventures – Eurotunnel's lenders insisted on a series of strict performance and monitoring criteria which allow it to take control of tbe project at an early stage. Whila bankers say the covenants are not unusual in project financings generally, the procedures granted to lenders are among the toughest of any project now under way.

● Syndication of Hanson's £3bn three-year bullet loan to finance its acquisition of Consolidated Gold Fields has been completed within a week and oversubscribed by about three timea. Chemical Bank, arranger, said that 42 banks had signed np for participations ranging from £300m to £100m, althongh maximum loan sizes have been cut back to £175m, with £30m the minimum amount.

The rush to participate is in spite of comment that the 15 basis point margin is unusually fine for acquisition financing. Hanson's huge cash position and the promise of further business with the company ontweighed all other considerations, bankers said.

Meanwhile, lenders who want the relationship with Hanson but who feel the returna are insufficient are being discouraged from selling the paper off. Hanson has told lenders it views them as relationship banks and that it does not wish to see an active secondary market in its paper.

**Norma Cohen**

### EUROMARKET TURNOVER ($m)

| Primary Market | Straights | Conv | FRN | Other |
|---|---|---|---|---|
| US$ | 2,690.5 | 100.0 | 187.0 | 11,115.1 |
| Prev | 4,173.8 | 0.0 | 381.6 | 10,806.1 |
| Other | 1,159.0 | 0.0 | 246.5 | 2,527.5 |
| Prev | 1,012.9 | 0.0 | 515.8 | 2,273.3 |
| **Secondary Market** | | | | |
| US$ | 20,158.4 | 922.2 | 5,362.0 | 6,760.1 |
| Prev | 24,638.8 | 871.9 | 6,330.8 | 8,222.4 |
| Other | 15,716.0 | 1,532.1 | 5,753.4 | 29,561.4 |
| Prev | 17,240.7 | 1,259.0 | 5,368.1 | 38,482.7 |

| | Cedel | Euroclear | Total |
|---|---|---|---|
| US$ | 10,372.8 | 36,922.5 | 47,295.3 |
| Prev | 12,662.9 | 42,762.5 | 55,425.4 |
| Other | 22,206.3 | 34,289.6 | 56,495.9 |
| Prev | 27,667.3 | 38,485.2 | 66,152.5 |

Week to July 27 1989

Source: AIBD

INTERNATIONAL BONDS

## Gefco's £250m deal thrusts London into spotlight

LONDON may be the main origination and syndication centre of the Eurohond market, but it is rarely the focus of wide attention because of its dominant role in the relatively specialised sterling sector.

Last Thursday's £250m long-dated deal for the Guaranteed Export Finance Corporation (Gefco), however, was the catalyst for a searching examination of the market's merits, and the results have thrust it into the spotlight, both in the UK and continental Europe.

The success of the deal, which crucially carried a UK government guarantee, was immediate, making it automatically a magical deal which will be recalled by traders for its terms and timing.

Not only did the bonds fly into a rising UK government hond market, hut they also offered institutional investors a combination of creditworthiness and yield that made them irresistible.

On Friday the opening day's strong trading performance continued, with the paper moving from Thursday's close of 99⅞ bid to 100⅜ bid to yield about 9.45 per cent. The spread against gilt-edged stocks narrowed to a mere 28 basie polnts, against the launch spread of 40 basis points.

There was no question that the lead managers might have priced the deal too generously. Neither they, the Export Credits Gnarantee Department (ECGD), which organised the refinancing, nor the Bank of England, which oversaw the operation, could have predicted the strength of demand.

As an ECGD official said: "This was difficult to price, we knew it was going to be a mould-breaking deal." So difficult was it to price that one house was rumoured to have suggested a launch spread of 90 basis points over gilts.

Several houses are known to have thought up possible structures for the deal, with most concentrating their efforts on making the bonds look as identical as possible to the benchmark 9 per cent gilt due in 2008.

The underwriting commissions on the deal remain obscure, but BZW confirmed that the management fee was ¼ point.

By Friday parties involved in the Gefco issue were patting themselves on the back, convinced that they had created a new class of sterling bond. The issuer was a private sector company issuing bonds with a government guarantee, thereby in trading terms falling between gilts and sovereign and supranational issues.

There was general agreement that the exercise had revealed the extent to which the market for long-dated sterling bonds has matured since the UK Government began its programme of huying hack gilts. The credit differentiation between the bonds of various issuers is clearly now very sophisticated.

There was much praise for the hnge swap into floating-rate sterling conducted hy Lloyds Bank. In what was probably the largest swap ever at such a long point on the yield curve, Lloyds achieved what was rumoured to be a stunning funding rate, hedging the position by Thursday evening.

The ultimate beneficiaries of the sub-Libor rate are UK taxpayers because the costs of financing the export credit loans whicb underlie the deal are much lower in the public capital markets than they are in the standard bank lending of old.

However, some of the implications of the deal will take some time to work through. Principally, the effect, if any, on long-dated corporate bonds remains unclear. The initial reaction of tbe market last week was to rethink the yield spreads of sovereign and supranational credits.

Thus, borrowers sucb as the World Bank and the European Investment Bank saw tbe spreads on their long-dated deals narrow sharply. In effect an order of merit was set up, with gilts followed by Gefco, followed in turn by sovereigns.

At the same time, however, while spreads of corporate bonds were moving in the opposite direction, this was due more to the strong performance of gilts than to any thinking abont the value of corporate paper.

"For most investors it was an easy decision to buy Gefco as against, say, a UK corporate long-dated issue," said one syndicate manager. "But the deal will definitely hava an effect on the corporate bond market." In tbe sbort term it served mainly to highlight the confusion tbat now cbaracterisea that sector.

Many syndicate maoagers and traders are coming round to the view that the extreme concern about the creditworthiness of long-term corporste borrowings, stimulated almost entirely by the £13.4bo leveraged bid for BAT Industries, has been overplayed.

Tbey are worried that if spreade of corporate bonds remain very wide as investors continne to fluster about event risk, future borrowers will be put off by the higher cost of funds.

Put another way, there is a real danger that issners which acknowledge the change in investor attitudes since tbe BAT bid and are prepared to offer a sane structure in terms of gearing, change of ownership and disposel of asset clauses, will nevartbeless be unwilling to launch issues unless they feel that they are rewarded with narrower spreads.

Currently, this would go against the grain for most of the investing inetitutions. What remains to be seeo is bow quickly a modicum of order can be restored to the corporate sector, and whether it can match the sparkling performance of wbat might become a significant new class of sterling bonds.

It also remains unclear whather the market can rely on Gefco to provide it witb more snpply. Institutions which are overweight in long-dated corporate bonds and keen to snap up quasi-gilt paper would love more of the same.

Howevar, Gefco cannot expect to time its deals to sucb perfection with any regularity, and the ECGD official wes quick to point ont that its refinancing programme is extremely flexible in terms of tbe currencies and maturities of any future deals.

**Andrew Freeman**

### NEW INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Book runner | Offer yield % |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| Daicel Chemical Ind.♦ | 300 | 1993 | 4 | (4¼) | 100 | Nomura Int. | ★ |
| Parco Co ♦ | 120 | 1993 | 4 | 3⅞ | 100 | Daiwa Europe | 3.875 |
| Bank of Scotland♠♦(c) | 300 | Undated | - | 40bp | 100 | Merrill Lynch | - |
| BFCE♦ | 175 | 1994 | 5 | 8⅜ | 101½ | Nomura Int. | 7.999 |
| Joshin Denki Co.♦ | 100 | 1993 | 4 | (4⅜) | 100 | Nomura Int. | ★ |
| Kubota Ltd.♦ | 300 | 1993 | 4 | (4¼) | 100 | Nomura Int. | ★ |
| Sankyo Aluminium♦ | 150 | 1993 | 4 | (4⅜) | 100 | Daiwa (Euro) | ★ |
| JDC Corp♦ | 100 | 1993 | 4 | (4⅜) | 100 | Nikko Secs. | ★ |
| Tsumura & Co.♦ | 100 | 1993 | 4 | (4⅜) | 100 | Nikko Secs. | ★ |
| P & O♦§(n) | 175 | 2004 | 14 | 6 | 100 | Nomura Secs. | 6.090 |
| Fuji Bank(Lux)♦ | 35 | 1999 | 10 | 9 | 102 | Fuji Int.Finance | 8.693 |
| Daio Paper Corp♦ | 150 | 1993 | 4 | (4¼) | 100 | Yamaichi Int. | ★ |
| Nippon Stainless Steel♦ | 100 | 1993 | 4 | (4⅜) | 100 | Yamaichi Int. | ★ |
| **AUSTRALIAN DOLLARS** | | | | | | | |
| Dresdner Bank Berlin♦ | 40 | 1993 | 4 | 15 | 102 | Dresdner Bank(Lux) | 14.309 |
| **CANADIAN DOLLARS** | | | | | | | |
| Toronto-Dominion Bank♦ | 100 | 1992 | 3 | 10¼ | 101.30 | Phillips & Drew | 9.730 |
| Abbey National♦ | 150 | 1994 | 5 | 10¼ | 101⅝ | Merrill Lynch | 9.823 |
| Eksportfinans A/S♦ | 150 | 1994 | 5 | 10⅛ | 101⅞ | IBJ Int. | 9.635 |
| **ECUs** | | | | | | | |
| C'wealth Bk Australia♦(j) | 100 | 1994 | 5 | 6¾ | 101⅞ | CSFB | 8.277 |
| Eurofima♦ | 125 | 1999 | 10 | 8⅝ | 101½ | Bankers Trust Int. | 8.397 |
| **D-MARKS** | | | | | | | |
| Finnish Export Credit♦(a) | 35 | 1991 | 2 | 15⅛ | 100 | Merrill Lynch | 15.125 |
| Elect. de Portugal♦ | 100 | 1996 | 7 | 7⅛ | 102 | Bank of Tokyo | 6.757 |
| Tsumura & Co.♦(m) | 100 | 1994 | 5 | (1⅞) | 100 | DG Bank | ★ |
| Kingdom of Belgium♦† | 300 | 1999 | 10 | (o) | 100½ | Morgan Stanley GMBH | - |
| Daio Paper Corp♦ | 100 | 1994 | 5 | (1¾) | 100 | Deutsche Bank | ★ |
| **FRENCH FRANCS** | | | | | | | |
| Deutsche Bank Finance♦(j) | 500 | 1996 | 7 | 8¾ | 101.85 | BNP Capital Markets | 8.390 |
| Deutsche Giro-D'sche K♦ | 500 | 1996 | 7 | 8¾ | 101½ | Credit Lyonnais | 8.457 |
| Total-Compagnie♦ | 500 | 1993 | 4 | 8⅝ | 101½ | Credit Lyonnais | 8.170 |
| **LUXEMBOURG FRANCS** | | | | | | | |
| Eurofima★★♦ | 300 | 1995 | 6 | 8 | 100¾ | Credit Europeen | 7.839 |
| **SWISS FRANCS** | | | | | | | |
| Atsugi Nylon Ind.★★§(e) | 400 | 1994 | - | ¼ | 100 | SBC | 0.250 |
| Parco Co.★★§(d) | 200 | 1993 | - | Zero | 100 | Credit Suisse | - |
| Denki Kagaku Kogyo★★♦ | 200 | 1993 | - | (2¾) | 100 | Bqu Paribas(Suisse) | ★ |
| Hyakujushi Bank★★§(g) | 130 | 1993 | - | ½ | 100 | Credit Suisse | ★ |
| Kawasaki Bank★★§(h) | 42 | 1994 | - | 0 | 100 | Banca del Gottardo | ★ |
| LEC Inc.★★§(i) | 35 | 1993 | - | (½) | 100 | Royal Trust Bank | ★ |
| Yuasa Funashoku★★§♦(j) | 30 | 1994 | - | Zero | 100 | B.della Sviz.Italian | - |
| Yuasa Funashoku★★♦♦ | 40 | 1994 | - | 3 | 100 | B.della Sviz.Italian | 3.000 |
| Nippei Toyama Corp★★§(k) | 90 | 1994 | - | (¼) | 100 | Yamaichi Bank(Switz) | ★ |
| Tsubakimoto Eng.★★§(l) | 50 | 1993 | - | (¼) | 100 | Nomura Bank(Switz) | ★ |
| Sakai Chemical Ind.♦§(p) | 120 | 1991 | - | Zero | 100 | Credit Suisse | - |
| Kasai Kogyo Co.♦ | 50 | 1993 | - | (2⅝) | 100 | Handelsbank NatWest | ★ |
| **ESCUDOS** | | | | | | | |
| EIB♦ | 10bn | 1997 | 8½ | 14¼ | 100 | Banco Portugues | 14.200 |
| **PESETAS** | | | | | | | |
| Council of Europe♦ | 15bn | 1996 | 7 | 11¾ | 101⅜ | Banco Bilbao Vizcaya | 11.454 |
| **LIRE** | | | | | | | |
| Morgan Guaranty Trust♦ | 100bn | 1993 | 4 | 12¾ | 101⅝ | Banco de Roma | 12.213 |
| **STERLING** | | | | | | | |
| Student Loan M'gage Ass.♦ | 100 | 1994 | 5 | 11 | 101.70 | Samuel Morgan | 10.545 |
| Gefco♦ | 250 | 2010 | 20½ | 9¾ | 99.709 | BZW/S.G.Warburg Secs | 9.770 |
| Metlife Funding Inc.♦ | 120 | 1992 | 3 | 11⅞ | 101⅜ | CSFB | 11.309 |
| **YEN** | | | | | | | |
| Sapporo Finance Int.♦(b) | 10bn | 1995 | 6 | 6 | 101¾ | Nomura Int. | 5.648 |
| Abbey National★★♦ | 5bn | 1992 | 3 | 6 | 101⅜ | Daiwa Europe | 5.490 |
| Fujikura Int.(b) | 10bn | 1995 | 6 | 6 | 101¾ | Nomura Int. | 5.648 |
| Rural&Ind.Bk W.Australia♦ | 2bn | 1992 | 3 | (f) | 101⅜ | Fuji Int. | - |
| Skopbank♦ | 3bn | 1990 | 1 | 7½ | 100⅞ | Nippon Credit Int. | 6.568 |

★Not yet priced. ★★Private placement. ♦With equity warrants. §Convertible. †Floating rate note. ♦Final terms. ♠Variable rate notes. a) Issue price includes currency warrants.350,000 currency warrants issued at DM75 each.No redemption.Replaces DM35m bond issued July 3 with redemption in DM, linked to Peseta/DM exchange rate at maturity. b) Redemption in US$. c) 40bp over 3-month libor.Alternative margin over libor years 1-10, then 1⅞. d) Yield to put 3.847%. e) Yield to put 3.937%. f) Launched in two Y1bn tranches, one with coupon paying 7% maximum, other 8½.Coupon linked to Nikkei stock index.Redemption at par. g) Yield to put 3.858%. h) Yield to put 3.873%. i) Indicated yield to put 4.123%. j) Yield to put3.863%. k) Indicated yield to put 4.155%. l) Indicated yield to put 4.094%. m) Each DM5,000 bond has A&B warrant. A exercisable for 3 Years, B for 5 years. n) Shogun issue. o) 12bp below 6-month libor. p) Yield to put 3.857%.

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

# Bank 'may sell stake in Daimler'

By David Goodhart in Bonn

DEUTSCHE BANK is ready to sell a part of its 28 per cent stake in Daimler-Benz, the big West German cars and aerospace group, to Matra, the French defence group, according to Der Spiegel magazine.

The aim of such a sale would be to smooth Daimler's imminent takeover of Messerschmitt-Bölkow-Blohm (MBB), the German aerospace company, and dampen renewed debate abont the power of banks in Germany

Dentsche Bank yesterday denied that a sale was planned but analysts said such a proposal could have been put forward by the Economics Ministry in continuing negotiations over the controversial Daimler takeover of MBB.

The green light for that bid is expected to come in September from Mr Helmut Haussmann, the Economics Minister and member of the free-market Free Democrats, who has to overrule the German Cartel Office to allow the merger to take effect.

Mr Haussmann has little alternative to overruling the Cartel Office as the merger was initially proposed by his own ministry as a means of reducing public support for MBB's share of the European Airbus project.

However, the considerable concentration in the German defence industry that it will create is an embarrassment to Mr Haussmann, a champion of small business and the free market.

His ministry has thus been involved in intensive negotiations with Daimler and Deutsche Bank in an attempt to impose conditions on the takeover, such as selling off some of Daimler or MBB businesses where market share would otherwise be dangerously high. Another condition might be that MBB must sell its 12.5 per cent stake in Krauss-Maffei, the defence contractor.

A reduction in the Deutsche Bank stake in Daimler from 28 to 23 per cent, es reported by Der Spiegel, would have no direct impact on the MBB takeover but it would help save face for Mr Haussmann. His party is separately campaigning for a rednction of bank stakes in industry.

The sale of 5 per cent of its Daimler stake would significantly reduce Deutsche Bank's formal veto power over several important areas of corporate life which require the support of a 75 per cent majority of shareholders.

Mr Haussmann is also hoping the Monopoly Commission, an influential but less powerful organisation than the Cartel Office, will this week give the Daimler-MBB bid its support.

# Socanav holds 52% of Steinberg

By Robert Gibbens in Montreal

SOCANAV and the Caisse de Depot, the Quebec pension plan manager, claim to hold 52 per cent control of Steinberg, the Montreal-based food distribution and property group.

Socanav, led by Mr Michel Gaucher, the Montreal transport entrepreneur, filed its C$1.32bn (US$1.11bn) takeover bid for Steinberg late on Friday, three days before deadline.

It had the Caisse's financial backing and the provincial government's blessing.

The bid, comprising C$75 a share for the voting stock and C$51 a share for the publicly held non-voting stock, hinged on Socanav taking np an option on the 52 per cent voting block held by the senior members of the Steinberg family.

This has been done and the offer is extended to all other stockholders, voting and non-voting. It expires on August 22.

The offer circular says that Steinberg's property subsidiary, worth C$820m, would be sold to the Caisse, while the remaining C$500m would come from the Caisse and another government agency, Mr Gaucher and associates and an institutional group.

Some non-food assets of Steinberg would later be sold to raise well over $100m.

# Japan reviews takeover rules

By Ian Rodger in Tokyo

JAPAN'S Ministry of Finance is considering easing its regulations on takeover bids. Rigidities in the rules came to light earlier this month when Shuwa, the fast-growing property and supermarkets group, revealed a plan to take over and merge four smaller supermarket companies.

Takeover bids have been virtually unknown in Japan, partly because they are alien to the Japanese corporate culture, which emphasises mutual support among companies, but partly because MoF regulations are restrictive.

Now that the old corporate culture is beginning to break down, the pressure to ease the rules is growing.

The MoF is also sensitive to growing criticism from the US and other foreign governments about the difficulties foreign companies face when they try to acquire Japanese companies. Such criticism comes at a time when Japanese companies are actively acquiring businesses overseas.

Under existing rules, a company planning e takeover bid must report in advance to the MoF the precise terms and conditions under which it intends to proceed. Thereafter the terms cannot be changed.

In the Shuwa case two of the target companies, Chujitsuya and Inageya, tried to thwart the bids by issuing new shares. If they had succeeded, Shuwa would not have been able to alter the terms of its bids and they would have failed. However, the Tokyo district court issued an injunction last Monday barring the new share issues.

The MoF is considering altering this provision so that bidders can revise the terms of their bids as they wish. Another potential change would make it no longer necessary for non-resident bidders to have an official Japanese representative.

# Swap activity surges by 52%

By Katharine Campbell

ACTIVITY in the international swaps markets grew apace, according to figures for the second half of 1988 released by the International Swap Dealers Association.

By end-December 1988 the notional principal amount of swaps outstanding amounted to more than $1,300bn, a 52 per cent increase over the previous year.

During the second half of last year a total of $818bn worth of interest rate swaps and $62bn worth of currency swaps were written, representing increases on the same period in 1987 of 54 per cent and 47 per cent respectively.

For the first time the material, produced twice a year for ISDA by Arthur Andersen, the accountants, will be made available to the Bank of International Settlements, which plans to use it in talks with central bankers on broad capital market developments.

One striking feature depicted in the data is the relentless growth of the largest and most mature sector of the market. In the US dollar interest rate swaps sector, dealers wrote 35 per cent more swaps in value terms between July and December 1988 than in the first half of the year.

US dollar-denominated swaps accounted for 72 per cent and 43 per cent respectively of the total interest rate and currency swap markets, although this share is exaggerated by the relative strength of the currency during the period.

The vast proportion of the growth in the sector comes in swaps with a maturity of less than two years, where volumes were up 55 per cent. In the longer seven to 10-year range volumes actually declined by 3 per cent.

One banker ascribed this phenomenon to financial institutions' increasing nse of swaps for asset and liability management.

# Scor and UAP Re to combine operations

By George Graham in Paris

FRANCE'S two main reinsurance companies are to combine their operations to create a significant national reinsurer, althongh one which will lag behind the West German and Swiss leaders.

Scor, mainly owned hy a consortium of French public, private and mntual insurance companies, will combine with UAP Reassurance, a subsidiary of Union des Assurances de Paris, the leading state-owned group, to form e group with joint premium income of about FFr9bn ($1.42bn).

The merger is to be accomplished by a paper bid for Scor and UAP Re from Compagnie Générale de Voitures, a shell listed company in which UAP and its main state sector rival, Assurances Générales de France, each own 40 per cent.

The offer is still being examined by the Commission des Operations de Bourse (COB), the French stock market regulatory enthority, and will probably be made pnhlic on Thursday.

Scor, the leading French reinsurer, has made a steady recovery from its financial troubles in the early 1980s, to report net profits of FFr225m in 1988 with gross premium income of FFr5.86bn.

It has been expanding its European network with the purchase last year of Vittoria Riassicurazioni in Italy.

# French bank in Italian link-up

By John Wyles in Rome

SAN Paolo di Torino, Italy's second largest bank, has forged an alliance with France's Caisse des Dépôt et Consignations, aimed at boosting their shares of the financing of public construction projects in Europe.

Initially the two banks will co-operate in offering financing for projects such as airports and railways developments in France and Italy, but their plans also look towards expanding activities in southern Europe.

# NCNB to buy majority stake in big Texas bank

By Karen Zagor in New York

NCNB, the largest banking holding company in the southeast US, is to buy out the majority interest of the Federal Deposit Insurance Corporation's ehare in NCNB Texas National Bank, the biggest Texas banking group.

The purchase price of the FDIC's 51 per cent stake is $800m, of which $480m will be in cash.

Most of this will come from the proceeds of NCNB's recent stock offering.

The remaining $320m will be financed by the FDIC in e one-year note.

Closing is expected in 10 days.

NCNB is already reaping the benefits of its investment in the Dallas-based former First RepuhlicBank, which failed last year. NCNB's income in the letest second quarter jumped 42.9 per cent to $1 e share with the Texas operations contributing 22 cents a share.

Mr Rusty Page, senior president and investor relations executive of NCNB, said: "The first and foremost driving factor in our purchase of the FDIC stake is the enormous earning power of the bank."

Another prime concern is NCNB's intention to expand its banking operations in Texas. Earlier in the year the Charlotte, North Carolina group's bid for the failed MCorp bank was rejected in favour of an offer from Banc One. NCNB's partnership with the FDIC was regarded by many as a conflict of interest.

# Winsor hit by labour shortage

PROFITS of Winsor Industrial, one of Hong Kong's largest textile and clothing manufacturers, fell 25.1 per cent to HK$286.4m (US$36.7m) in the year ended March 31, John Elliott writes from in Hong Kong.

The principal factor behind the fall was a serious shortage of labour in the "overheated economy" of Hong Kong. Mr T.K. Ann, chairman, said this "serionsly inhibited the gronp's ebility to respond quickly to market conditions, as well as inciting higher wages and other costs."

The company's weaving and wool sections were worst hit, but there has been some improvement since March.

Mr Ann said weak market conditions in the first six months of the 1988-89 year deteriorated further in the second half. Sales to the US were depressed throughout the year and exports to Europe eased.

The company was also hit by a deterioration in the quality and delivery of raw materials from China. Winsor anticipates further problems with supplies following recent events in China, wbich is the largest supplier to Hong Kong.

Winsor's turnover for the year decreased marginally by 2.5 per cent to HK$2.38bn.

# BHF profits dip by 4% to DM74m

By Haig Simonian in Frankfurt

PARTIAL operating profits at Berliner Handels-und Frankfurter Bank (BHF), the West German merchant bank, fell by almost 3.9 per cent to DM74m ($40m) in the first six months of this year against the corresponding period in 1988.

Full opereting profits, including gains from trading on the bank's own account, were lower but were not disclosed. The bank said earnings for the first half were satisfactory in view of the present flat yield curve in Germany.

Interest income et perent bank level fell by 3.7 per cent to DM156m while fee earnings snrged by 24 per cent to DM97m as e result of the buoyant securities business so far this year. Total assets rose hy 19.5 per cent to DM20.8bn for the parent bank, and by 5.6 per cent to DM35.8bn at group level.

Fixed costs at BHF, wbich specialises in securities trading, rose sharply to DM55m, partly on account of new investments in preparation for tbe Deutscbe Terminbörse, Germany's financial futures and options exchange, which is due to open early next year.

# Woodward family cedes voting control

THE WOODWARD family is relinquishing voting control of the Woodward's department store chain in western Canada in return for a C$25m (US$21m) cash injection, Robert Gibbens writes from Montreal.

The Woodward's chain has been in trouble for several years and efforts to find a partner to form a national chain have failed.

The company has been run by the Woodward family for four generations and now comprises 51 stores in British Columbia and Alberta.

The new money is being put up by Cambridge Shopping Centres, which owns nearly 10 per cent of Woodward's, and institutional shareholders, who are bnying Woodward's convertible notes.

In addition, Cambridge and several other shareholders will receive an option to bny the Woodward family's total 23 per cent interest at C$4.25 a share in the next four years.

● Placer Dome and a Toronto partner are to go ahead with a US$248m mill at the La Coipa gold and silver mine in northern Chile. It will have daily capacity of 16,500 tonnes.

US MONEY AND CREDIT

# No holds barred for rampant bulls

AS THE 8 per cent yield barrier on the Treasury's long bond finally fell on Friday, there seemed to be nothing left in sight to hold back another snrge in the great bull market.

Everything seemed to have fallen into place for the bulls' scenario to be realised.

The economic statistics in the last few weeks have been precisely what the market wanted.

Inflation is sharply lower, and even better news seems to lie ahead as oil prices continue to weaken and the season for internecine squabbling in Opec draws near.

Last week's GNP figures show an economy creeping along at an almost imperceptible rate of expansion, lower than the growth of population or the labour force.

The figures on durable goods orders that prompted the Federal Reserve's easing on Tuesday implied that there was no point in looking to the capital goods sector for a new burst of economic momentum.

The personal income and expenditure data which was released on Friday, which finally instilled enough courage in the bond market to pusb through 8 per cent, suggested that the consumer was a spent force, too.

The consecntive monthly decline in real personal consumption was the first since the brief post-crash consumer panic which took place in the autumn of 1987.

Even more significantly, the feeble rise of 0.3 per cent in personal income, unadjusted for inflation, came after an even weaker 0.2 per cent advance in May.

These numbers showed why American consumers have stopped spending. Tbeir incomes have failed to keep up with this year's accelerating inflation.

The surge in prices in the winter and spring, far from unleashing a British-style, wage-price spiral, may actually have been a powerful deflationary influence by cutting real wages.

Unlike their British counterparts, American workers seem to have neither the ebility nor the inclination to demand higher wages when their living standards are cut.

When all is said and done, it is this peculiarity of the American worker, who has accepted steady erosions in average real wages for 15 years without any obvious signs of dissatisfaction, that provides the surest grounds for optimism about US inflation and bond prices.

In spite of the new lows reached by unemployment and the sporadic reports of labour shortages in many regions and occupations, the unions have signally failed to regain any influence. And labour militancy seems no more of a threat today, with unemployment at 5¼ per cent, than it was seven years ago when the jobless rate was double its present level.

It is not just the statistics thet have belied the fears of labour markets overheating.

Repeatedly in the last few months the hopes of organised labour (and of the bond market bears) have been raised by one symbolic event or another which was going to mark the watershed – the point at whicb the boom in the economy finally spilled over into tbe labour markets and stemmed the decline of the American union movement.

First there was the contest between the White House and tbe newly-emboldened Democrats in Congress over the minimum wage.

Then tbere was the strike and bankruptcy at Eastern Air Lines. A month ago there was the unexpected militancy of the coal miners in Appalachia. Last week there was the vote on unionisation by the production workers at Nissan's car plant in Tennessee.

In each case labour smelled victory in the air and in each case it was resoundingly defeated. Perhaps, after all, the ultra-bullish "New Age" analysts – people such as Mr Ed Yardeni of Pru Bache and Mr Larry Kudlow of Bear Stearns – were right.

The Philips curve, which Keynesian economists bad used to draw a link between inflation and unemployment, may no longer be valid in the economic New Age created by the conservative politics of Ronald Reagan.

It is a sign of the times that even the dwindling fraternity of bears in the bond market now point not to wages bnt to unit labour costs as the great inflationary threat.

They worry not about a spiral of higher wages feeding into high prices. Instead, they say declining output will lead to lower productivity and ultimately lower profits.

The profits squeeze will then force companies to raise their prices, and this will give yet another twist to the inflationary spiral.

If falling output and productivity is really the worst there is to fear on the inflation front, then the bull market in bonds may have a long way further to go.

This certainly appeared to be the implication of the Federal Reserve's unexpected decision to cut the Fed funds rate from 9¼ to 9 per cent on Tuesday.

The easing operation provided clear confirmation that the central bank now saw recession as the greater risk than inflation. The apparently ominous comment to Congress a week earlier by Mr Alan Greenspan, chairman of the Federal Reserve, when he warned that "a policy mistake" could lead to an economic downturn, was obviously not meant as an abdication of responsibility by the central bank.

It is tempting to conclude that there is now "nothing left to do but buy bonds, in the words of Mr Bob Brusca, of Nikko Securities, the latest reluctant convert to the bullish camp. But first it is necessary to sound one important note of warning.

It is true that events in the last few months have followed tbe bullish scenario with almost mathematical precision. It is also true, however, that almost everything in the last few months has accorded quite well with the predictions made by sceptics earlier this year about the likelihood of a premature monetary easing, which would prevent the economy sinking into recession but would also ensure that inflation remained stnck in an uncomfortably high range.

The likely range for inflation in the next year may now be a shade below 5 per cent, instead of 5½ per cent or more. But the fact remains that the Fed has shown itself willing to accommodate an inflation rate which only six months ago Mr Greenspan himself described as "unacceptable."

In terms of saving the economy from an uncomfortable recession, Mr Greenspan probably made the right decision.

But it is worth remembering that the interests of the economy and the bond market frequently do not coincide.

**Anatole Kaletsky**

## US MONEY MARKET RATES (%)

| | Last Friday | 1 week ago | 4 wks ago | 12-month High | 12-month Low |
|---|---|---|---|---|---|
| Fed Funds (weekly average) | 8.94 | 9.12 | 9.62 | 10.00 | 6.27 |
| Three-month Treasury bills | 8.11 | 8.37 | 8.33 | 9.59 | 6.96 |
| Six-month Treasury bills | 7.89 | 8.21 | 8.38 | 9.59 | 7.42 |
| Three-month prime CDs | 8.60 | 8.80 | 9.20 | 10.15 | 6.77 |
| 30-day Commercial Paper | 8.70 | 8.92 | 9.30 | 9.70 | 6.55 |
| 90-day Commercial Paper | 8.40 | 8.63 | 9.15 | 10.05 | 6.65 |

## US BOND PRICES AND YIELDS (%)

| | Last Fri. | Change on wk | Yield | 1 week ago | 4 wk. ago |
|---|---|---|---|---|---|
| Seven-year Treasury | 100¾ | +1⅛ | 7.70 | 7.96 | 8.27 |
| 20-year Treasury | 112⅜ | +1⅞ | 8.01 | 8.20 | 8.28 |
| 30-year Treasury | 109⅞ | +2 | 7.98 | 8.15 | 8.19 |

Source: Salomon Bros (estimates).

Money supply: In the week ended July 1, M1 fell by $1.6bn to $777.5bn M1

## NRI TOKYO BOND INDEX

| December 1983 = 100 | 27/7/89 | PERFORMANCE INDEX: Average yield (%) | Last week | 12 wks ago | 26 wks ago |
|---|---|---|---|---|---|
| Overall | 149.3 | 5.12 | 148.89 | 148.05 | 148.89 |
| Government Bonds | 149.71 | 4.92 | 148.94 | 148.36 | 149.91 |
| Municipal Bonds | 151.19 | 5.34 | 150.78 | 149.88 | 151.06 |
| Govt.-guaranteed Bonds | 152.05 | 5.36 | 151.69 | 150.93 | 152.14 |
| Bank Debentures | 143.29 | 5.13 | 142.94 | 141.70 | 141.55 |
| Corporate Bonds | 151.50 | 5.37 | 151.20 | 150.09 | 148.51 |
| Yen-denom. Foreign Bonds | 155.86 | 6.11 | 155.79 | 153.80 | 152.19 |
| Government 10-year† | 5.01 | | 5.07 | 5.02 | 4.83 |

† Estimated par yield

Source: Nomura Research Institute



UK GILTS

# Foreign investors help sustain rally

THE GILT-EDGED securities market sustained and improved on its almost month-long rally last week on the back of encouraging international and domestic developments.

Against a hackground of expected lower US interest rates, sterling and gilts were boosted by two factors: the first clear evidence that the Government's policy of high interest rates was beginning to bite on industry, and encouraging trade figures for June, which indicated that the UK current account was at a turning point.

Much of the upwards impetus given to gilt prices last week apparently again came from foreign investors, altbough there were indications that the reluctant domestic investor was being pulled into the market as well.

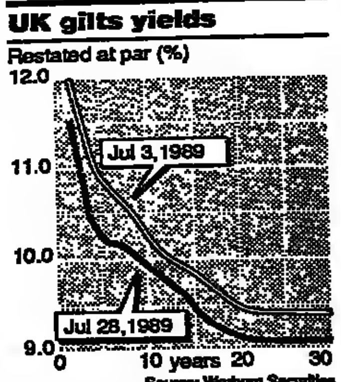
(The £250m issue by the Gnaranteed Export Finance Corporation, issued at 40 basis points above the 9 per cent 2008, provided an opportunity for those who missed out – the UK government guarantee giving it a near-gilt quality – at a fairly cheap price.)

The belief that the UK economy is at a turning point has put the market in a state of near euphoria.

There is a feeling that inflation has peaked; that the Confederation of British Industry's quarterly trends survey shows that industry has felt the pinch and is rethinking the future; and that the trade deficit is now past the worst and may be on the mend.

**UK gilts yields**

Restated at par (%)




Source: Warburg Securities

Most financial markets discount the short-term future, looking through good or bad news to what migbt come after. If the gilt market is doing this, then it would appear to be a good deal more optimistic than the authorities.

One official said: "Things are looking a bit better, but we expected them to be by this time of the year. But they are not better than we expected they would be."

There has been growing talk of a cnt in official interest rates. This would seem unlikely. At a time wben the anthorities are concerned about pay deals, it would be perverse to cut interest rates, thereby sending an inappropriate signal to both employers and unions. Coming at a time when tbe October cuts in National Insurance contributions come on stream, it could overstimulate the economy.

Several believe the favoured times for a cnt in interest rates, according to talk around the market, is during the Conservative Party conference or the privatisation of the water industry of England and Wales, which may also be damaging to confidence in sterling.

The anthorities need the pound to remain relatively strong which, along with the related interest rate measure, are the only tools they have with which to affect the behaviour of companies.

At the moment, at least, it appears that the Bank and Treasury are at one on tha need to maintain interest rates at the current level for some months more. Where things might get difficult is towards the end of the year when the impact of high interest rates on the real economy becomes evident in the official data and when, for the first time since tbe middle of 1986, tbe recorded level of unemployment begins to rise.

If this happens, the politics of cutting interest rates could override the economic need for them to be maintained at 14 per cent.

The point is that although the peak in inflation may have been seen and although the trade deficit may have stabilised, it will still take a considerable amount of time until it all comes right.

Inflation might be 7 per cent by the fourth quarter; the second-quarter current account annualised still comes to £18.3bn.

The latest forecast from Oxford Economic Forecasting is particularly gloomy on these two fronts. Despite a forecast of 8 per cent export growth and 3 per cent import growth in 1990, the UK still has a current account deficit of nearly £12bn. Altbough recorded retail prices inflation may fall to just below 5 per cent at the end of 1990, the underlying rate (excluding mortgages) will still be about 5.5 per cent.

To get this level of performance on inflation and trade, UK domestic spending has to slow to a virtual standstill (consumer spending is forecast to rise 1 per cent in 1990) with unemployment rising from an end-1989 estimate of 1.725m to 1.913m by the end of 1990.

The bare bones of this forecast underlines a main concern of Treasury ministers, which is that the inflation/trade constraint will be sucb that the Government will not be able to use its Budget surplus for further deep cuts in taxation. They know markets would be unforgiving if they did.

**Simon Holberton**

## FT/AIBD INTERNATIONAL BOND SERVICE

| US DOLLAR STRAIGHTS | Issued | Bid price | Chg on week | Yield |
|---|---|---|---|---|
| A.B.N. 8½ 91 | 150 | 99 | +⅛ | 9.11 |
| AETNA LIFE & CAS 7¼ 16 | 200 | 97⅞ | +⅛ | 7.98 |
| AHFC O/S.FIN. 11⅞ 94 | 100 | 101⅞ | −½ | 11.21 |
| ALBERTA, PROVINCE 7¼ 91 | 750 | 98 | +⅛ | 8.29 |
| ALBERTA, PROVINCE 9¼ 95 | 600 | 104⅛ | +1 | 8.34 |
| ALCOA AUSTRALIA 11 92 | 80 | 102 | +⅛ | 10.18 |
| AMERICAN GENERAL 9⅞ 96 | 100 | 103¼ | +½ | 0 89 |
| AUSTRALIA 11¼ 90 | 100 | 102¼ | +⅛ | 9.32 |
| AUSTRALIA 11¼ 00 | 100 | 109½ | +⅛ | 9.77 |
| AUSTRIA 7⅞ 97 | 200 | 96⅛ | +1¼ | 8.41 |
| AUSTRIA 8½ 95 | 250 | 99½ | +⅛ | 8.89 |
| BANK OF TOKYO 0⅞ 96 | 100 | 98⅞ | +⅞ | 8.74 |
| BANK OF TOKYO 11 90 | 125 | 100⅞ | 0 | 9.40 |
| BANK OF TOKYO 11⅞ 90 | 100 | 103⅛ | +⅛ | 9.10 |
| BANK OF TOKYO 13⅞ 89 | 100 | 100⅛ | 0 | 8.82 |
| BARCLAYS JERSEY 10¼ 90 | 250 | 100⅞ | +⅛ | 9.23 |
| BARCLAYS JERSEY 10⅞ 95 | 250 | 108⅞ | +⅛ | 8.74 |
| BELGIUM 7½ 91 | 250 | 98⅛ | +½ | 8.44 |
| BELGIUM 7⅞ 91 | 300 | 98⅞ | +⅛ | 8.44 |
| BELGIUM 9¼ 92 | 400 | 102 | +⅞ | 8.38 |
| BELGIUM 9⅞ 98 | 250 | 106 | +1 | 8.82 |
| BETAWEST PROP 7¼ 93 | 150 | 96½ | +⅛ | 8.83 |
| B.F.C.E. 7¼ 92 | 100 | 96¼ | +⅛ | 8.42 |
| B.F.C.E. 7¼ 97 | 150 | 96 | +1 | 8.46 |
| BK NOVA SCOTIA 7⅞ 91 SW | 150 | 98¼ | +⅞ | 8.95 |
| B.N.P. 8¼ 93 | 125 | 99¼ | +½ | 8.85 |
| B.N.P. 13½ 89 | 150 | 100⅞ | 0 | 9.47 |
| BP CAPITAL 9⅞ 93 | 150 | 102¼ | +⅛ | 8.77 |
| BP CAPITAL 11¼ 92 | 150 | 102¼ | +⅛ | 9.77 |
| BR.COL. HYDRO 11⅞ 93 | 200 | 110 | +⅛ | 8.77 |
| BRITISH TELECOM FIN 9¼ 98 | 250 | 104⅞ | +1 | 8.62 |
| CAMPBELL SOUP 10½ 95 | 100 | 104¼ | +⅛ | 9.56 |
| CANADA 11½ 96 | 300 | 101¼ | 0 | 9.19 |
| CANADIAN PACIFIC 7½ 96 | 100 | 92⅞ | +1 | 8.94 |
| CANADIAN PACIFIC 10⅞ 93 | 100 | 102¼ | +⅛ | 10.05 |
| [illegible] | | | | |
| QUEBEC PROV 13 90 | 150 | 100⅞ | +⅛ | 9.26 |
| QUEENSLAND GOVT 11⅛ 89 | 100 | 100½ | 0 | 9.72 |
| RALSTON PURINA 11⅞ 95 | 150 | 109⅞ | +⅞ | 9.44 |
| REYNOLDS R.J. 10¼ 93 | 100 | 97⅞ | −⅛ | 10.91 |
| RICHARDSON-VICKS 11½ 93 | 125 | 103⅞ | +⅛ | 10.44 |
| ROCKWELL INT 9⅞ 90 | 200 | 100¼ | +⅛ | 9.33 |
| S.A.S. 10¼ 95 | 150 | 105⅛ | +⅞ | 9.00 |
| SARA LEE 9⅞ 93 | 150 | 100⅞ | +⅛ | 9.24 |
| SASKATCHEWAN 7 91 | 125 | 97⅛ | +⅛ | 8.88 |
| SASKATCHEWAN 8½ 91 | 150 | 99⅞ | +⅛ | 8.91 |
| SASKATCHEWAN 11⅞ 89 | 100 | 100⅞ | 0 | 9.95 |
| SASKATCHEWAN 15 92 | 150 | 115⅞ | +⅛ | 8.82 |
| SEARS O/S FIN 0 98 | 500 | 45¼ | +½ | 9.26 |
| SEARS O/S FIN 11⅞ 93 | 150 | 106⅞ | +⅛ | 9.63 |
| SEARS ROEBUCK 8½ 90 | 250 | 99 | +⅛ | 9.34 |
| SHELL OIL 9½ 95 | 250 | 100¼ | 0 | 9.19 |
| SNCF 7¼ 94 | 175 | 96½ | +⅛ | 8.30 |
| STATE BK STH AUST 9¼ 98 | 100 | 101⅞ | +½ | 8.66 |
| STATE EL VICTORIA 10 92 | 100 | 103½ | +⅛ | 8.70 |
| STH AUST GOVT FIN 8⅞ 93 | 100 | 100⅞ | +⅛ | 8.60 |
| SUMITOMO FIN ASIA 11¼ 92 | 150 | 106¼ | +⅛ | 8.69 |
| SWEDEN 7 92 | 250 | 97¼ | +⅛ | 8.21 |
| SWEDEN 8⅛ 94 | 150 | 99⅞ | +⅛ | 8.22 |
| SWEDEN 10¼ 92 | 250 | 105¼ | +⅛ | 8.34 |
| SWEDISH EXPORT 8⅜ 91 | 200 | 100¼ | +⅛ | 8.34 |
| SWEDISH EXPORT 9½ 92 | 200 | 102½ | +⅛ | 8.15 |
| TAIYO KOBE 11⅞ 90 | 100 | 101¼ | 0 | 9.19 |
| TAIYO KOBE 12 90 | 100 | 103½ | +⅛ | 9.12 |
| TENNECO CORP 10⅞ 95 | 150 | 102⅞ | −⅛ | 10.06 |
| TOKAI ASIA 11½ 95 | 100 | 110⅛ | +⅛ | 9.12 |
| TOKYO METROPOLIS 8¼ 96 | 200 | 98⅞ | +1 | 8.46 |
| TORONTO-DOM 8 96 | 100 | 99⅞ | +⅛ | 9.06 |
| TOYOTA MOTOR FIN 8 91 | 200 | 99 | +⅛ | 8.64 |
| UNILEVER CAP CORP 9⅞ 92 | 150 | 103½ | +⅛ | 8.59 |
| VICTORIAN PUB AUTH 8⅞ 96 | 100 | 98 | +⅛ | 8.75 |
| WARNER-LAMBERT 8¼ 96 | 100 | 97⅛ | +⅛ | 8.69 |
| WELLS FARGO 13¼ 91 | 100 | 107⅛ | +⅛ | 9.44 |
| [illegible] | | | | |
| PHILIP MORRIS 9⅞ 98 | 200 | 102⅞ | +⅛ | 9.34 |
| POSTIPANKKI 11¼ 90 | 75 | 100⅞ | +⅛ | 9.33 |
| PROCTER & GAMBLE 10 95 | 150 | 103 | +⅛ | 8.52 |
| PRU RLTY SECS. D 99 | 365 | 46¼ | +⅛ | [illegible] |
| QANTAS AIRWAYS 8⅞ 96 | 97 | 99⅞ | +1 | 8.64 |

| YEN STRAIGHTS | Issued | Bid price | Chg on week | Yield |
|---|---|---|---|---|
| ALLIED-SIGNAL 6⅞ 95 | 20.0BN | 102½ | 0 | 5.91 |
| AUSTRIA 4⅞ 94 | 30.0BN | 98 | +½ | 5.26 |
| AVON CAPITAL 6⅞ 91 | 26.0BN | 100¼ | 0 | 6.61 |
| BARCLAYS O/S INV 6 96 | 40.0BN | 103½ | +⅛ | 5.38 |
| B.F.C.E. 5⅞ 96 | 20.0BN | 102¼ | +⅛ | 5.35 |
| CANADIAN PACIFIC 6⅞ 96 | 10.0BN | 104¼ | −⅛ | 5.85 |
| DENMARK 6⅞ 92 | 20.0BN | 103¼ | +⅛ | 5.32 |
| EIB 4⅞ 92 | 30.0BN | 98⅞ | +⅛ | 5.32 |
| EIB 4⅞ 94 | 40.0BN | 97⅞ | +⅛ | 5.24 |
| EUROFIMA 6½ 95 | 15.0BN | 103⅞ | 0 | 5.76 |
| F.N.M.A. 6⅞ 92 | 50.0BN | 103¼ | +⅛ | 5.29 |
| GMAC 6½ 90 | 25.0BN | 100 | −⅛ | 6.34 |
| IBM CREDIT CORP 5⅞ 91 | 10.0BN | 100½ | +⅛ | 5.41 |
| ITT 6⅞ 92 | 20.0BN | 102¼ | +⅛ | 5.72 |
| MCDONALDS CORP 6½ 92 | 25.0BN | 102¼ | 0 | 5 40 |
| NEW ZEALAND 7¼ 90 | 15.0BN | 101¼ | +⅛ | 5.69 |
| NORWAY 5⅛ 95 | 50.0BN | 99½ | +⅞ | 5.21 |
| PENNEY J.C. 6⅞ 92 | 26.0BN | 102¼ | +⅛ | 5.74 |
| PHILIP MORRIS 6½ 91 | 20.0BN | 101 | −⅛ | 5.61 |
| SALLIE MAE 6⅞ 92 | 25.0BN | 103 | +⅛ | 5.28 |
| TRW INC 7 94 | 15.0BN | 101¼ | +⅛ | 6.74 |
| WORLD BANK 7⅞ 93 | 20.0BN | 108⅞ | +⅛ | 5.46 |
| WORLD BANK 8 93 | 20.0BN | 107⅞ | −⅛ | 5.54 |

| [illegible] STRAIGHTS | Issued | Bid price | Chg on week | Yield |
|---|---|---|---|---|
| COUNCIL EUROPE 7 94 | 600 | 97¼ | +⅛ | 7.75 |
| GALVALANGE 7 95 | 600 | 96¼ | 0 | 7.85 |
| IMMOBILERE MATCH 7⅞ 94 | 1.0BN | 98¼ | 0 | 7.91 |
| KLEINWORT BENSON 7 94 | 600 | 96⅞ | 0 | 7.83 |
| WORLD BANK 8 96 | 1.0BN | 101¼ | 0 | 7.77 |

| CONVERTIBLE BONDS | | | | Prem |
|---|---|---|---|---|
| [illegible] | | | | |
| SANWA BANK 1⅞ 02 | 300 | 103⅞ | +9⅞ | −1.79 |
| ST PAULS COMPANIES 7½ 00 | 100 | — | — | — |
| TEXACO CAPITAL 11¼ 94 | 300 | 104⅛ | −⅛ | −1.53 |

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on JULY 30

# Maxwell calls for postponement of De La Rue meeting

By Nikki Tait

MR ROBERT Maxwell, tha publisher, has written to shareholders in De La Rue, the bank note and securities printer, arguing that this Thursday's extraordinary meeting to approve the sale of the group's Crosfield business should be postponed.

The meeting has been called to approve the sale of Crosfield to Du Pont, the US chemicals group, and Fuji Photo Film of Japan for £235m. Mr Maxwell, via the Israeli-based Scitex group which is 27 per cent-owned by the publisher's Mirror Group Newspapers, has since announced that it might be prepared to offer £255m to £265m. De La Rue has rebuffed the Scitex approach, and declined to give it certain information.

In his letter, Mr Maxwell says that Scitex intends to invite the chairman to adjourn the meeting "for an appropriate period to enable further discuesions to take place between us".

"In view of the period available to De La Rue to obtain your consent in general meeting, there is no reason why a reasonable adjournment for this purpose should be contrary to the interests of De La Rue", he adds.

Bnt yesterday, Baring Brothers, advising Du Pont, claimed thet there was little chance of Scitex getting necessary anti-trust clearances, and therefore being able to make e firm offer within its own envisaged timetable.

"The facts are that we're not going to hang around forever," says the Du Pont/Fuji camp, warning that shareholders could be left without any offer on the table. It also questioned Mr Maxwell's motives in intervening.

Barings point out that the contract between Du Pont/Fuji and De La Rue requires the UK company to gain shareholder approval within 45 days - starting from July 18. Ths advisers added that ths contract also effectively "self-destructs" at the beginning of December if the deal has not be completed by then.

# Mayflower reversing into Triangle Trust

By Edward Sussman

MAYFLOWER, a company involved in fabrics, packaging and direct marketing interests, is taking control of Triangle Trust, the loss-making toy distributor and financial services company, through a reverse take over.

The new concern, to be called Mayflower Corporation, will have a broad range of interests, from pensions and life insurance to nylon webbing for parachutes.

With a prospective market capitalisation of £17.9m, it will be more than triple the size of Triangle.

The transaction will reduce the stake of investment advisers J O Hambro & Partners in Triangle from 19 per cent to about 7 per cent.

Mr Rupert Hambro will remain as non-executive chairman of the renamed Triangle, but Mayflower will assume management control.

Triangle has agreed to issue 9.2m ordinary shares and pay £4.5m in cash to Timelaw, a private company set np to hold Mayflower's Ribbons and PHM Marketing Services companies. The transaction valnes Timelaw at £11.2m.

Triangle, whose 7m existing shares were suspended at 90p on June 21, is also making e 9-for-11 rights issue, creating 5.6m ordinary shares, at 73p per share.

Shearson Lehman Hutton will place an additional 2.7m shares with institutional investors.

Triangle Trust is the parent company of Tri-ang Leisure, Carterbench and Elliott Bayley. It recorded losses of £314,000 in 1988 on turnover of £11m. Together, Ribbons and PHM earned £676,000 in pre-tax profits on £4.6m in turnover in the year to April 1 1989.

# New team has to ring up improvements

## Hugo Dixon explains why Cellnet has fallen behind in cellular communications

| FINANCIAL PERFORMANCE COMPARED | Cellnet £m | Vodafone £m | Vodafone/Cellnet ratio |
|---|---|---|---|
| **Year to end-March 1988** | | | |
| Turnover | 76.5 | 108.3 | 1.42 |
| Operating profits | 18.2 | 53.1 | 2.92 |
| **Year to end-March 1987** | | | |
| Turnover | 35.3 | 47.1 | 1.33 |
| Operating profits | 3.9 | 14.1 | 3.62 |

FIGURES researched by the Financial Times from Companies House show that the performance by Cellnet has been dismal by comparison with Vodafone, its arch-rival in the cellular communications business. In the year to the end of March 1988, Vodafone's operating profits at £53.1m were almost three times the size of Cellnet's £18.2m.

The failnre of Cellnet to approach Vodafone's financial success is an embarrassment to BT, Cellnet's majority shareholder. It also may help explain why the company has consistently refused to divulge Cellnet's profits. It is still unwilling to say what happened in the most recent financial year, sticking to its line that it is not free to publish figures because 40 per cent of Cellnet's shares are owned by Securicor, the UK security group.

Cellnet's poor performance raises questions as to whether BT's management structure is sufficiently dynamic to make a success out of fast-moving competitiva markets, where the company is increasingly going to have to win its spurs if it is to thrive in the next decade. An important ingredient in the performance of Racal Telecom, Vodafone'e parent, has been its vigorous marketing-led approach.

Success in mobile communications is also critical to BT because of the strategically important role they are expected to play in modern telecoms systems. Mobile services can no longer be regarded by telecoms operators as icing on the cake.

BT is not only facing competition from Racal in mobile communications. The UK government intends to license two or three new operators of personal communications systems by the end of the year. These new networks will be more ambitious than the existing cellular systems, making it all the more important for BT to get its own mobile system working effectively.

The appointment of a new management team last month to run Cellnet was an indication that BT realises action needs to be taken. The new team's job will be to increase Cellnet's market ehare and improve its financial performance.

BT warns that one should be careful about interpreting fignres that are one year out-of-date. But it admits that the broad thrust of the comparison between the two mobile communications companies continues into 1988-1989, when Racal Telecom made operating profits of £90m.

"One year later, we make more profit than Racal [Telecom] did a year earlier," the company says, implying that Cellnet'e operating profits were somewhera over £50m in 1988-1989.

What seems to have gone wrong at Cellnet is that it has been outmanouevred by a faster-movlng Vodafone. Although the two companies started off et the same time and for several years split the market 50:50, about three years ago Cellnet's quality of service started to deteriorate.

This meant it found difficulty in ettracting customers at e time when the whole market was entering its big growth phase. Althongh Cellnet has managed to expand fairly rapidly since then, the lost customers were critical ones.

BT believes that customers being signed up onto the system three years ago needed mobile phones more – and were therefore more profitable – than customers being signed up today. The cost of attracting new customers, in terms of incentives paid to dealers, has also increased.

The upshot was that Cellnet had only 45 per cent of the UK's cellular subscribers at the end of March last year. Even worse, its subscribers were each spending significantly less – perhaps 15 per cent – than Vodafone's.

This seems to be explained partly by the fact that Vodafone's customers are of a better qnality and partly because Vodafone has been more innovative in developing special services which encourage its customers to use their mobile phones more.

These two factors combined help explain why Vodafone generated 42 per cent more revenne during 1987-1988 than Cellnet – £108.3m compared with £76.5m.

This large difference in revenue generation is the main explanation for the three-to-one difference in operating profits. Both companies face similar fixed costs in providing and running their networks.

However, Cellnet's figures also suggest that it is not as efficient as Vodafone in controlling costs. While admitting that there was a cost difference between the two operations, BT refused to be drawn on what factors explained it, except to point out that Cellnet might have higher administrative costs since its headquarters are in London.

Remedying this performance and putting Cellnet on an even footing with Vodafone will be the prime task of the company's new management under Mr Stafford Taylor, who joined from MBS, the Warrington-based personal computer distributor.

"We feel they are e better team. We wouldn't have made the moves if we hadn't thought so," BT says. But it warns that "it is not going to be easy."

# Aaronson declines 56% to £1.41m

Aaronson Bros, manufacturer of chipboard and plastic products, announced a 56 per cent setback in pre-tax profits, from £3.17m to £1.41m, for the six months to the snd of March.

However, the market had been expecting a sharp decline following a profit warning at the beginning of the month.

Turnover, exclnding inter-company sales, fell from £62.19m to £52.83m.

Earnings per share dropped from 7.63p to 3.1p but the interim dividend is maintained at 1.8p.

# Kelt buys oil and gas interest from Finlay

Kelt Energy, ths oil independent which recently took over the Carless gronp, is acquiring the onshore oil and gas intrest of James Finlay.

These largely comprise small interests in fields already operated by Kelt, including 12.5 per cent of the Hatfield Moors gas field near Doncaster and 9.5 per cent of the Malton/Kirby Misperton gas fields in Yorkshire.

The consideration to Finlay is 3m new Kelt shares.

# Shield playing safe after profit setback

By Edward Sussman

SHIELD, the USM-qnoted property company rated in 1988 as one of the top performers over a five year period for earnings per share growth, reported a 96 per cent slump in pre-tax profits for the year to end-March.

Bnt Mr Norman Mazure, chairman and 30 per cent shareholder, said that after substantial restructuring costs Shield was able to weather the severe storm he anticipated in the property sector.

"We've pulled in our wings in fear of a very bad market," he said. "We have high cash resources and we're not that exposed."

For the year gronp profit was £718,000, but it took a £654,000 charge for exceptional items, leaving a pre-tax profit of £64,000 (£1.6m). In addition there was a £573,000 extraordinary item below the line. No final dividend was proposed.

The loss per share was 6.89p against earnings of 6.21p.

Mr Mazure said Shield has closed four of its eight estate agency offices and revalned all its properties. "We'll wait till it's safe" to resnme more aggresive property activities, he said.

Shleld's cash at year end stood at £6.7m, with £8.6m in borrowings snpporting a net assat value of £14.6m.

# Leading Leisure advances to £1.97m

Leeding Lelsnre, the expanding Third Market-quoted leisure and property group, saw lts operating proflts surge by 78 per cent to £4.02m for the 28 weeks ending May 13 1989.

But with gearing at a high level and interest charges taking £1.24m more at £2.05m the pre-tax advance was cut to 36 per cent at £1.97m.

Half year turnover expanded from £33.95m to £47.04m. The interim dividend is being doubled to 1p.

# Northumbrian Fine Foods £0.4m in loss

The difficulties et Northumbrian Fine Foods have continued. The group finished with e loss of £398,000 for the year ended March 31 1989 and the dividend is being cut by 0.5p to 1.5p via a final of 0.75p.

At halfway Northumbrian suffered a loss of £162,000, compared with a profit of £336,000 which bad lncreased to £709,000 by the end of 1987-88.

Gross sales for the year improved to £6.78m (£5.86m). Earnings dropped to 4.31p (8.29p).

# North American Gas for market

NORTH AMERICAN Gas Investment Trust, which aims to exploit an expected rise in the price of natural gas in the US, is coming to the main market via an offer for subscription to raise £35m, writes Clare Pearson.

Brokers to the offer are Rowe & Pitman and Greig Middleton. The offer is in £5 units comprising five shares and one warrant to subscribe for one ordinary share at 100p. A dividend of not less than 3.75p is expected in the first year.

The trust will exist for six years unless holders decida otherwise. The aim is to realise optimum value either by liquidation or through an offer.

Grahams Rintoul will be the manager. Mr Neil Young, formerly with Kleinwort Benson, will run day-to-day investment.

NAGIT argues that a shortage of natural gas will occur in the US within two to three years, for five main reasons.

These are: US proven reserves ara falling rapidly; very low recent drilling levels mean the rate at which reserves can be produced is falling; Canadian imports will ba limited by pipeline constraints, and surplus production is likely to disappear shortly; imports from elsewhere are limited by a shortage of tankers; demand for gas is growing in the US because of environmental factors and the current low price.

# VPI Group

Mr Reg Valin, currently group executive chairman of the VPI Group, the financial and corporate communications company, is to step down at the end of September. He will remain as a non-executive depnty chairman of VPI. Mr Valin will be replaced as chairman by Mr Angus Maitland. Mr Maitland is current deputy chairman.

# FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Genesis Emerging Markets (Section: Trusts)

Templeton Emerging Markets (Finance/Land)

Do. 1% Cv. Un. Ln. 2001 (Finance/Land)





































**FINANCIAL TIMES STOCK INDICES**

| | Jul 28 | Jul 27 | Jul 26 | Jul 25 | Jul 24 | Jul 21 | 1989 High | 1989 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs. | 87.16 | 87.07 | 86.70 | 86.34 | 86.34 | 86.40 | 89.29 | 83.75 | 127.4 | 49.18 |
| Fixed Interest | 97.23 | 97.14 | 97.03 | 97.13 | 96.94 | 96.92 | 99.59 | 95.21 | 105.4 | 50.53 |
| Ordinary | 1924.8 | 1902.5 | 1885.8 | 1886.0 | 1872.9 | 1892.9 | 1924.8 | 1447.8 | 1926.2 | 49.4 |
| Gold Mines | 193.6 | 193.2 | 193.0 | 194.6 | 193.2 | 193.0 | 206.0 | 154.7 | 734.7 | 43.5 |
| FT-Act All Share | 1176.69 | 1166.71 | 1158.37 | 1159.93 | 1155.26 | 1166.44 | 1176.69 | 921.22 | 1238.57 | 61.92 |
| FT-SE 100 | 2306.0 | 2283.7 | 2264.5 | 2269.4 | 2259.1 | 2283.0 | 2306.0 | 1782.8 | 2443.4 | 986.9 |

# FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

## AUTHORISED UNIT TRUSTS

**Abbey Unit Tst Mngrs (1000)H**
80 Holdenhurst Rd, Bournemouth 0345 717373

| Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| High Income | | | | | | |
| American Income | 6 | 52.72 | 53.37 | 56.78 | 4.83 | 40000 |
| Gilts & Fixed Int | 6 | 112.30 | 112.30 | 119.10 | 8.40 | 40001 |
| High Inc Equity | 6 | 138.30 | 141.10d | 150.20 | 4.23 | 40002 |
| Worldwide Bond | 6 | 199.60 | 199.60 | 211.50 | 4.39 | 40003 |
| Capital Growth | | | | | | |
| American Growth | 6 | 183.70 | 185.70 | 197.60 | .96 | 40004 |
| Asian Pacific | 6 | 97.73 | 99.64d | 106.00 | 1.23 | 40005 |
| Assets & Earnings | 6 | 165.00 | 168.40 | 179.20 | 2.06 | 40006 |
| Capital Reserve Acc | 0 | 86.02 | 86.82 | 86.88 | 4.60 | 40007 |
| Comdty & Energy | 6 | 105.70 | 105.70 | 113.10 | 1.68 | 40008 |
| 1992 Enterprise | 6 | 59.61 | 60.80d | 64.69 | 2.78 | 46297 |
| European Capital | 6 | 80.96 | 89.67 | 95.40 | .79 | 40009 |
| General | 6 | 187.60 | 190.80 | 203.00 | 2.22 | 40010 |
| International | 6 | 46.86 | 47.53d | 50.57 | 0.99 | – |
| Japan | 6 | 111.90 | 111.90 | 114.70 | 0.00 | 40011 |
| Mastertrust | 6 | 97.61 | 87.61d | 93.71 | 1.61 | 40012 |
| UK Growth Acc | 6 | 204.20 | 213.30 | 227.00 | 1.23 | 40013 |
| UK Growth Dist | 6 | 136.20 | 142.30 | 131.40 | 1.85 | 40014 |
| US Emerging Cos | 6 | 52.67 | 54.36 | 57.84 | 0.00 | 40015 |
| Income & Growth | 6 | 313.40 | 314.60 | 340.10 | 3.01 | 40016 |
| Ethical | 6 | 50.16 | 51.33d | 54.01 | 1.83 | 40017 |

**Abtrust Management Ltd (1000)H**
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

[illegible]

**Provident Mutual Unit Tst Mgrs Ltd (0905)H**
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

| Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Gr's | City-line |
|---|---|---|---|---|---|---|
| PM Equity Gth | 5 | 121.4 | 123.6 | 131.4 | 2.63 | 41169 |
| PM Income & Gth | 5 | 106.3 | 107.1 | 113.9 | 4.60 | 41170 |
| PM Nth Amer Gth | 5 | 56.00 | 56.98 | 60.61 | 1.24 | 41171 |
| PM European Gth | 5 | 58.13 | 58.13 | 61.84 | 0.72 | 41172 |
| PM Japan Gth | 5 | 81.07 | 81.16 | 86.33 | 0.28 | 41173 |
| PM Overseas Gth | 5 | 54.83 | 54.83 | 58.32 | 0.45 | 41174 |

### GUIDE TO UNIT TRUST PRICING

**INITIAL CHARGES**
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

**OFFER PRICE**
The price at which units may be bought.

**BID PRICE**
The price at which units may be sold.

**CANCELLATION PRICE**
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

**TIME**
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

**HISTORIC PRICING**
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

**FORWARD PRICING**
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

**SCHEME PARTICULARS AND REPORTS**
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

صكذا من الأصل



# FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

| Unit Name | Init Chrge | Canc. Price | Bid Price | Offer Price | Yield Gr's | Citi-line |
|---|---|---|---|---|---|---|
| **Windsor Trust Mngrs Ltd (1200)F** | | | | | | |
| 83 Kingsway, London, WC2B 6SD | | | | | | 01-405 8331 |
| Cowrtld & Equity | 5 | 63.84 | 66.83 | 71.09 | 6.69 | 41599 |
| European | 5 | 71.68 | 72.02 | 76.61 | 0.09 | 46303 |
| Far Eastern | 5 | 64.24 | 64.42xd | 68.53 | 0.64 | 46304 |
| Growth Inc | 5 | 90.07 | 93.43 | 99.39 | 1.40 | 41600 |
| Growth Acc | 5 | 90.07 | 93.43 | 99.39 | 1.40 | – |
| Income Inc | 5 | 86.66 | 88.75 | 94.41 | 4.51 | 41601 |
| Income Acc | 5 | 86.66 | 88.75 | 94.41 | 4.51 | – |
| Property Share | 5 | 56.28 | 56.28 | 59.99 | 0.99 | 41602 |
| Smaller Co's | 5 | 59.53 | 60.44 | 64.44 | 1.45 | 41603 |
| N/A American | 5 | 62.18 | 62.18xd | 66.49 | 1.62 | 41209 |
| International | 5 | 47.94 | 47.99xd | 51.32 | 1.44 | 41210 |
| **Wright Seligman Fund Mngrs Ltd (1000)H** | | | | | | |
| 11 Blomfield St, London EC2M 7AY | | | | | | 01-588 0592 |
| Growth | 5 | 111.18 | 111.18 | 116.18 | 4.94 | 41604 |
| Weekly dealing day Tuesday | | | | | | |
| **The Yorkshire Unit Tst Mngrs Ltd (1100)F** | | | | | | |
| Woodsome Pk, Fenay Bdge, Huddersfield | | | | | | 0484 602250 |
| Yorkshire General | 5¼ | 65.70 | 68.19xd | 72.54 | 2.49 | 41605 |
| YBTM W Lrg Ie Ia | 5¼ | 62.00 | 64.00 | 68.08 | 4.39 | 41606 |
| YBTB Ind Gwth Trt | 4¼ | 51.98 | 51.90 | 55.50 | 0.80 | 41195 |

## OTHER UK UNIT TRUSTS

| | | | | | |
|---|---|---|---|---|---|
| **Baillie Gifford & Co Ltd** | | | | | |
| Int'l Exmpt June 7 | 485.5 | | 503.81 | – | 1 40105 |
| **Cent. Bd. of Fin. of Church of England‡** | | | | | |
| 2 Fore Street, London EC2Y 5AQ | | | | | 01-588 1815 |
| Inv Fund June 30 | | 518.35 | | 4.79 | 40251 |
| Fxd Int Sec June 30 | | 138.45 | | 10.31 | 40252 |
| Deposit June 30 | | 100.00 | | 13.05 | 40253 |
| **Charinco/Charishares‡ (1000)F** | | | | | |
| 33 King William Street, EC4R 9AS | | | | | 01-280 2800 |
| C'inco Inc July 26 | 166.5 | | 170.7 | 10.11 | 40254 |
| C'inco Acc July 26 | 683.1 | | 700.5 | 10.11 | 40255 |
| C'share Inc July 26 | 157.8 | | 162.9 | 3.84 | 40256 |
| C'share Acc July 26 | 172.5 | | 179.2 | 3.84 | 40257 |
| **Charities Official Invest. Funds‡** | | | | | |
| 2 Fore Street, London EC2Y 5AQ | | | | | 01-588 1815 |
| Income June 30 | | 493.06 | | 5.02 | 40258 |
| Accum June 30 | | 1644.84 | | – | 40259 |

**Edinburgh Fund Mngrs PLC**

Exempt Funds

| | | | | |
|---|---|---|---|---|
| American July 26 | 146.6 | 150.6 | 1.90 | [illegible] |

## INSURANCES

# FT UNIT TRUST INFORMATION SERVICE

● For Current Unil Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls cherged at 38p per minute peak and 25p oll peak, inc VAT

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| **Pioneer Mutual Insurance Co Ltd** | | | | |
| 16 Crosby Rd. N Waterloo, Liverpool | | 051-928 6655 | | |
| Managed Fund | 116 2 | 332 9 | – | 43272 |
| Mon Pens Inc & Cap Fds | 423.9 | 446.3 | – | 43271 |
| Money Fund | 120 9 | 127.3 | – | 43274 |
| Pens Mngd Fd (Init) | 117.5 | 123 7 | – | 43275 |
| Pens Mngd Fd (Acc) | 143 4 | 151 0 | – | 43276 |
| Pens FT30 Fd (Init) | 154 6 | 162.8 | – | 43277 |
| Pens FT30 Fd (Acc) | 188.6 | 198 6 | – | 43278 |
| Pens O'seas MgFd(Init) | 76.2 | 80.3 | – | 43279 |
| Pens O'seas MgFd(Acc) | 93.0 | 97.9 | – | 43280 |
| Pens Fxd Int Fd (Init) | 105.4 | 111 0 | – | 43281 |
| Pens Fxd Int Fd (Acc) | 128 6 | 135.4 | – | 43282 |
| Pens Deposit Fd (Init) | 105 8 | 111 4 | – | 43283 |
| Pens Deposit Fd (Acc) | 129.1 | 135.9 | – | 43284 |
| **Premium Life Assurance Co Ltd** | | | | |
| 37-39, Perrymount Road Haywards Heath | | 0444 458721 | | |
| American | 126 0 | 133.0 | – | 43285 |
| Building Soc. Fd | 172 0 | 182.0 | – | 43286 |
| Balanced | 291.0 | 307 0 | – | 43287 |
| European | 182 0 | 192 0 | – | 43289 |
| GT Managed | 181 0 | 191.0 | – | 43290 |
| Gartmore Mngd | 120 0 | 127.0 | – | 43291 |
| German | 129.0 | 136 0 | – | 43292 |
| Gilt | 187.0 | 197.0 | – | 43293 |
| Global | 49 0 | 52 0 | – | – |
| High Inc | 126 0 | 133 0 | – | 43294 |
| International Equity | 200 0 | 211.0 | – | 43295 |
| Japan | 247 0 | 260 0 | – | 43296 |
| Managed | 65.0 | 69 0 | – | 43297 |
| Property | 283 0 | 298 0 | – | 43298 |
| R. W. Imperial Gold | 146 0 | 154.0 | – | 43299 |
| UK Equity | 373.0 | 393.0 | – | 43300 |
| *Pension Funds* | | | | |
| American | 150 0 | 158 0 | – | 43301 |
| Building Soc. Fd. | 173.0 | 183.0 | – | 43302 |
| Balanced | 223 0 | 235 0 | – | 43303 |
| European | 181 0 | 191.0 | – | 43305 |
| German | 112 0 | 118 0 | – | 43308 |
| Gilt | 158 0 | 167 0 | – | 43309 |
| International Equity | 145.0 | 153.0 | – | 43310 |
| Japan | 141.0 | 139.0 | – | 43311 |

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| **Prudential Holborn Life Ltd—Contd.** | | | | |
| *Holborn Series D Life Funds* | | | | |
| Managed | 537 2 | 565.5 | – | |
| Equity | 1101 7 | 1159 7 | – | |
| International | 173 9 | 791 6 | – | |
| Fixed Intl | 378 2 | 398 2 | – | |
| Property | 384 2 | 404 3 | – | |
| Cash | 255 9 | 269 4 | – | |
| Pacific Basin | 208.5 | 219.5 | – | |
| North American | 157 7 | 166 0 | – | |
| European | 163 9 | 172 6 | – | |
| Holborn Balanced Gwth | 117.0 | 124 0 | – | |
| Holborn Strategic Gwth | 117.3 | 125.5 | – | |
| **Prudential Holborn Pensions Ltd** | | | | |
| 30 Old Burlington St., London W1X 1LB | | 01-439 3134 | | |
| Managed | 578.1 | 608.6 | – | |
| Equity | 841.7 | 886 0 | – | |
| Global Equity | 245 7 | 258 7 | – | |
| Fixed Interest | 414 9 | 436 8 | – | |
| Property | 399 0 | 420 1 | – | |
| Cash | 158 8 | 167 2 | – | |
| Index Linked Gilt | 202 4 | 213.1 | – | |
| Guaranteed | 12.68 | | – | |
| International Money | 201 1 | 211 7 | – | |
| North American | 77.2 | 81 1 | – | |
| Japanese | 193 4 | 131.0 | – | |
| European | 99 4 | 104.7 | – | |
| Special Situations | 125 d | 132.1 | – | |
| Communications | 107 4 | 113.1 | – | |
| Smaller Companies | 112.7 | 118 7 | – | |
| International Small Cos | 132 7 | 139.7 | – | |
| **Prudential Pensions Limited** | | | | |
| Holborn Bars, London EC1N 2NH | | 01-405 9222 | | |
| Discretionary July 26 | £15139 | 167 08 | – | |
| Equity July 26 | £178 64 | 585 49 | – | |
| International July 26 | £26.72 | 27.60 | – | |
| Intl Bond July 26 | £12.44 | 12.62 | – | |
| Fixed Int July 26 | £73 41 | 74 38 | – | |
| Index Linked July 26 | £62.59 | 63 17 | – | |
| Property July 26 | £112.60 | 119.31 | – | |
| Cash July 26 | £21 1948 | 21 1948 | – | |
| *Pre-Linked Retirement Plan* | | | | |
| Managed July 25 | 394.4 | 410 9 | – | |

## OFFSHORE AND OVERSEAS

## GUERNSEY (SIB RECOGNISED)

## MANAGEMENT SERVICES

## JERSEY (SIB RECOGNISED)

## IoM (SIB RECOGNISED)

## LUXEMBOURG (SIB RECOGNISED)

## JERSEY (**)

## SWITZERLAND (SIB RECOGNISED)

## GUERNSEY (**)

هكذا من الاصل





# FT UNIT TRUST INFORMATION SERVICE

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| **EBC Trust Company (Jersey) Ltd** | | | | |
| EBC Amro 7 ... Currency Fund Ltd* | | | | |
| Income | $13.[illegible] | 14.121 | 4.95 | 44893 |
| Capital | $1[illegible].53 | 20.136 | 4.65 | 44894 |
| *Offer price includes 3% prelim. charge | | | | |
| EBC Amro Currency Income Fund* | | | | |
| Income | £10.17 | 10.6890 | 4.49 | 44895 |
| *Offer price includes 5% prelim. charge | | | | |
| International Income Fund | | | | |
| US$ Dep Short A | | $1.1022 | 0.24 | 44888 |
| Do. Dist | | $0.7161 | 0.27 | 44889 |
| Mnd Cur Sh't term B | | $1.3766 | | 44890 |
| Do. Dist | | $0.9811 | 0.87 | 44891 |
| Levd Long Term* | $29.16 | 30.4911 | 5.54 | 44892 |
| *Offer Price includes 3½% Initial Charge | | | | |
| **Equitilink International Mngt Ltd** | | | | |
| First Aust Prime Inc Int Co Ltd NAV July 20 C$12.01 | | | | |
| First Aust Prime Inc Inv Co Ltd NAV July 28 US$10.14 | | | | |
| NAV Diluted to reflect exercise of all Wrts C$11.92 US$10.07 | | | | |
| **Ermitage Group** | | | | |
| Managed Fund | | $30.50 | - | 44924 |
| £ Sterling Equivalent | | £10.41 | - | 44925 |
| Heritage Fd | | £11.22 | - | 44926 |
| Cash Fund | | £32.05 | - | 44927 |
| F S Pension | $12.15 | 12.27 | - | 44928 |
| GAM Ermitage Ltd | | $27.34 | - | 44929 |
| Ermitage Dollar Fd | | $15.45 | - | 44930 |
| **Fidelity International (CI) Ltd** | | | | |
| Sterling American (z) | 166.90 | 177.60 | - | 44979 |
| $ Bond Fund (z) | 5.28 | 5.51 | 7.6 | 44981 |
| Gilt Fund (z) | 25.30 | 26.40 | 11.10 | 44983 |
| Jersey Unit Trust (UK tax residents only) | | | | |
| American Inc. Fd (z) | 107.10 | 113.40 | 4.5 | 44984 |
| Internat'l Inc Tst (z) | 119.90 | 127.60 | 5.6 | 44985 |
| $ Fixed Int. Tst (z) | 54.40 | 56.80 | 8.5 | 44986 |
| Fidelity Performance Portfolios Ltd | | | | |
| American Portfolio 10 | $1.06 | 1.12 | - | 44946 |
| Do. Sterling Equiv (z) | 63.61 | 68.18 | - | 44947 |
| European Portfolio (z) | $1.62 | 1.71 | - | 44948 |
| Do. Sterling Equiv (z) | 96.90 | 103.91 | - | 44949 |
| Japan Portfolio (z) | $1.41 | 1.49 | - | 44950 |
| Do. Sterling Equiv (z) | 84.59 | 90.67 | - | 44951 |
| S. E. Asia Portfolio(z) | 50.95 | 1.00 | - | 44952 |
| Do. Sterling Equiv (z) | 56.54 | 60.30 | - | 44953 |
| UK Portfolio (z) | $1.18 | 1.25 | - | 44954 |
| Do. Sterling Equiv (z) | 70.59 | 75.66 | - | 44955 |
| Intl Bond Portfolio (z) | $.96 | 1.02 | 6.50 | 44965 |

| | Bid Price | Offer Price | Yield Gross | City-line |
|---|---|---|---|---|
| **Warburg Investment Management Jersey Ltd – Contd.** | | | | |
| Mercury Offshore Stlg Tst-SICAV | | | | |
| Global Fund (z) | £1.161 | 1.242 | 1.53 | 45945 |
| Overseas Fund (z) | £1.299 | 1.328 | 1.57 | 45946 |
| European Fund (z) | £1.156 | 1.235 | 0.56 | 45947 |
| Japan Fund (z) | £1.186 | 1.269 | - | 45948 |
| N American Fund (z) | £1.275 | 1.353 | 0.09 | 45949 |
| Pacific Fund (z) | £1.190 | 1.288 | 1.41 | 45950 |
| Utd Kingdom Fund (z) | £1.351 | 1.435 | 2.21 | 45951 |
| Cash Fund (z) | £1.031 | 1.107 | 12.53 | 45952 |
| Mercury Selected Tst-SICAV | | | | |
| Australian Fd | $11.68 | 12.47 | - | 45953 |
| DM Global Bond Fd | DM20.16 | 21.25 | - | - |
| European Fund | $23.64 | 25.26 | - | 45954 |
| European Opps Fd | $14.57 | 15.55 | - | 45955 |
| Global Bond Fd | $11.46 | 12.07 | 3.46 | 45956 |
| Global Fd | $41.90 | 45.01 | 1.23 | 45957 |
| Global Man Cur Fd | $10.79 | 11.36 | 5.27 | 45958 |
| Hong Kong Fd | $7.33 | 7.90 | - | 45959 |
| Japan Fund | $22.23 | 23.81 | - | 45960 |
| Japan Opps Fd | $15.90 | 17.00 | - | 45461 |
| North Amer Fd | $15.72 | 16.68 | - | 45962 |
| Nth American Opps | $10.13 | 10.76 | 1.40 | 45963 |
| Pacific Fd | $10.18 | 10.99 | - | 45964 |
| Singapore & Malysia Fd | $9.05 | 9.73 | - | 45965 |
| United Kingdom | $22.55 | 23.97 | 1.49 | 45966 |
| Yen Global Bond Fd | $11.32 | 11.92 | 1.47 | 45967 |
| Yen Global Eq Fd | $9.50 | 10.17 | 6.89 | 45968 |
| Yen Intl Eq Fd | $8.84 | 9.45 | 1.07 | 45969 |
| **Wardley Fund Managers (Jersey) Ltd** | | | | |
| Wardley Japan Trust | $15.71 | 16.67 | 0.26 | 45972 |
| Wardley Gilt Fund | £1.06 | 1.10 | 10.91 | 45973 |
| Wardley Priv Cap Tst | $19.00 | 20.16 | 3.97 | 45974 |
| Wardley Int Equity Tst | $12.13 | 12.87 | 0.00 | 45975 |
| Wardley Bond Tst | $14.95 | 15.80 | 8.65 | 45976 |
| Wardley Funds Limited | | | | |
| Managed Currency Fd | $– | 15.151784 | – | – |
| **World Bond Fund–SICAV** | | | | |
| World Bond Fund NAV | $19.29 | 20.27 | 0.99 | 45996 |
| Inv Adr Warburg Asset Mngt London | | | | |
| **World Capital Gwth Fd–SICAV** | | | | |
| World Capital Gwth (z) | $12.60 | 13.27 | 0.75 | 45997 |
| Inv Adr Warburg Asset Mngt London | | | | |
| **Worldinvest (Management) Jersey Ltd** | | | | |
| Worldinvest Inc | $235.29 | 236.47 | 7.84 | 44715 |
| Valued weekly on Wednesdays | | | | |

## ISLE OF MAN (**)

## LUXEMBOURG (**)

## OFFSHORE INSURANCES

## OTHER OFFSHORE FUNDS

# LONDON SHARE SERVICE

## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

| Amount £m | Stock | Price £ | Red. Yld. | Last xd | Interest Due | City-line |
|---|---|---|---|---|---|---|
| 2,400 | Exch 10pc 1989 | 99[illegible]xd | – | 26.6 | 1Feb [illegible] | [illegible] |
| 2,000 | Exch 11pc 1989 | 99½ | 13.94 | 20.2 | 29Mar 29Sep | [illegible] |
| 601 | Treas 5pc 1986–89 | 98⅝ | 11.42 | 9.3 | 15Apr 15[illegible] | [illegible] |
| 174 | Exch 10¼pcCv '89 | 99[illegible] | 12.95 | 10.4 | 15May 15Nov | [illegible] |
| 1,000 | Treas 13pc 1990‡‡ | 100[illegible] | 12.10 | 8.6 | 15Jul 15Jan | [illegible] |
| 500 | Treas 2pc IL '90(84.6) | 138[illegible] | 9.98 | 19.6 | 25Jul 25Jan | [illegible] |
| 1,400 | Exch 11pc 1990‡‡ | 99⅜xd | 12.20 | 12.7 | 12Aug 12Feb | [illegible] |
| 1,250 | Exch. 12½pc 1990 | 99[illegible] | 12.49 | 13.2 | 22Sep 22Mar | [illegible] |
| 350 | Treas. 3pc 1990 | 94[illegible] | 10.16 | 3.4 | 8Nov 8[illegible] | [illegible] |
| 600 | Treas 8¼pc 1987–90‡‡ | 97¼ | 11.78 | 9.3 | 15Dec 15[illegible] | [illegible] |
| 955 | Treas. 8pc Cv 1990 ‡‡ | 97[illegible] | 10.41 | 9.6 | 16Jul [illegible] | [illegible] |
| 1,887 | Treas. 10pcCv 1990 | 97[illegible] | 11.74 | 20.3 | 25Apr 25[illegible] | [illegible] |
| 300 | Exch 2½pc 1990 | 92[illegible] | 8.55 | 17.4 | 22May 22[illegible] | [illegible] |
| 2,200 | Treas 11¾pc 1991 | 100[illegible] | 11.55 | 27.6 | 10Jan 10[illegible] | [illegible] |
| 400 | Funding 5¾pc '87–91‡‡ | 93[illegible] | 10.39 | 1.3 | 5Oct [illegible] | [illegible] |
| 400 | Treas. 3pc 1991 | 90[illegible] | 9.08 | 6.4 | 13Mar 13[illegible] | [illegible] |
| 646 | Treas 10pc Cv '91 ‡‡ | 97[illegible] | 11.[illegible] | 27.6 | 12Jan [illegible] | [illegible] |
| 1,550 | Exch. 11pc 1991 | 99[illegible] | 11.17 | 20.3 | 25Apr [illegible] | [illegible] |
| 1,350 | Treas. 8pc 1991 | 93[illegible] | 11.06 | 4.3 | 10Jan 10Dec | [illegible] |
| 900 | Treas 12¾pc 1992‡‡ | 104[illegible] | 10.76 | 15.6 | 22Jan [illegible] | [illegible] |
| 1,600 | Treas 10pc 1992 | 98[illegible]xd | 10.81 | 17.7 | 21Aug 21Feb | [illegible] |
| 1,400 | Treas. 8pc 1992 ‡‡ | 93[illegible] | 10.00 | 7.3 | 13Oct [illegible] | [illegible] |

Five to Fifteen Years

## BRITISH FUNDS—Contd

| Amount £m | Stock | Price £ | Red. Yld. | Last xd | Interest Due | City-line |
|---|---|---|---|---|---|---|
| 443 | Funding 3½pc '99–04 | 58[illegible] | 8.50 | 29.6 | 14Jan 14Jul | 1274 |

Over Fifteen Years

Undated

| Amount £m | Stock | Price £ | Red. Yld. | Last xd | Interest Due | City-line |
|---|---|---|---|---|---|---|
| 359 | Consols 4pc | 43[illegible]xd | – | 26.6 | 1Feb 1Aug | 1239 |
| 1,909 | War Loan 3½pc‡‡ | 38[illegible] | – | 25.4 | 1Jun 1Dec | 1352 |
| 140 | Conv. 3½pc '61 Aft | 66 | – | 23.2 | 1Apr 1Oct | 1243 |

Index-Linked

## INT. BANK AND O'SEAS

## CORPORATION LOANS

## COMMONWEALTH & AFRICAN LOANS

| Amount £m | Stock | Price £ | Red. Yld. | Last xd | Interest Due | City-line |
|---|---|---|---|---|---|---|
| 14 | NZ 7¼pc 1988–92 | 88¼ | 11.70 | 1.12 | 1Jan 1Jul | – |
| – | S Rhod 2½pc Non-Assd | 204 | – | – | 1Apr 10Oct | – |
| 4 | Do. 4½pc 87–92 Assd | 84½ | 9.33 | 14.7 | 7Feb 7Aug | – |

## LOANS

### Building Societies

### Public Board and Ind.

## FOREIGN BONDS & RAILS

## AMERICANS

Continued on next page

## Money Market Bank Accounts

## Money Market Trust Funds

UNIT TRUST NOTES

# LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

## AMERICANS—Contd

| Market Cap. £m | Stock | Price £ | Div Gross | Y'ld Gr's | Last xd | Dividends Paid | City-line |
|---|---|---|---|---|---|---|---|
| 2,626.4 | FPL Group 1c | 19¾xd | $2.28 | 7.3 | 23.11 | MrJnSepDec | – |
| 15,953.8 | Ford Motor $1 | 30¼xd | $3.00 | 6.3 | 28.7 | Mar Jun S D | 2615 |
| 813.2 | GATX 62½c | 43½ | $2.00 | 2.9 | 12.6 | Mar Jun S D | 2662 |
| 31,693.9 | Gen. Elect. 63c | 34⅝ | $1.64 | 3.0 | 7.6 | Ja Ap Je Dc | 2675 |
| – | General Host Corp $1 | 468p | 30c | 4.1 | 13.12 | – | – |
| 3,180.9 | Gillette $1 | 27⅞ | 96c | 2.2 | 27.1 | Mar Jun S D | 2695 |
| 207.9 | Gt Am First Svgs Bk $1 | 634p | 60c | 6.0 | 28.10 | Fb My Aug Nv | – |
| 806.4 | Greyhound $1½ | 20[illegible] | $1.32 | 4.0 | 30.5 | Ja Ap Jy Oc | 2778 |
| 693.2 | Hasbro Inc 50c | 15⅛ | 16c | 0.8 | 2.5 | Ja My Au Nv | – |
| 2,311.9 | Honeywell $1½ | 52¾xd | $2.10 | 2.5 | 23.5 | Mar Jun S D | 2919 |
| 2,491.3 | Houston Inds. | 20⅞ | $2.96 | 9.0 | 10.11 | Mr Jn Se Dc | – |
| 40,711.5 | IBM Corpn $1¼ | 68[illegible] | $4.84 | 4.5 | 5.5 | Mar Jun S D | 2936 |
| 1.1 | Image Storage/R.Sys.1c | 55p | – | – | – | – | 2961 |
| 1,480.7 | Ingersoll-Rand $2 | 28[illegible] | $1.20 | 2.7 | 16.5 | Mar Jun S D | 2979 |
| 1,894.3 | Lockheed Crpn. $1 | 28[illegible] | $1.80 | 3.9 | 15.2 | Mar Jun S D | – |
| 343.4 | Lone Star Inds $1 | 20[illegible] | $1.90 | 5.8 | 12.6 | May Au D Mar | 3216 |
| 742.6 | Louisiana Land 15c | 23[illegible] | $1.00 | 2.6 | 26.5 | Mar Jun S D | 3222 |
| 619.2 | Lowe's 50c | 15⅝ | 48c | 1.9 | 11.7 | Jan Ap Jly Oc | – |
| 1,194.4 | Manuf. Hanover $1 | 24⅞ | $3.28 | 8.3 | 26.6 | Jan Ap Jly Oc | 3279 |
| 2,152.3 | Merrill Lynch $1 | 20¾ | $1.00 | 3.1 | 31.10 | Feb My Au N | 3361 |
| 524.0 | Molex Inc | 2065p | 3.2c | – | – | – | 3397 |
| 4,209.4 | Morgan (JP) $2½ | 23[illegible]xd | $1.66 | 4.5 | 21.12 | Jan Ap Jly O | 3418 |
| 9,591.3 | NYNEX $1 | 46⅝ | $4.39 | 5.9 | 27.6 | F May Au N | – |
| 387.6 | PHH Corp. | 23¼ | $1.12 | 3.1 | 4.4 | Ja Ap Jy Oct | – |
| – | Pacific Agr. | 180p | – | – | – | – | – |
| 1,739.4 | Pacificorp $3¼ | 25xd | $2.76 | 6.7 | 18.7 | Feb My Ag Nv | – |
| 11,248.1 | Pacific Telesis 10c | 26¼ | $1.88 | 4.6 | 12.85 | Fe My Au No | – |
| 726.1 | Pall Corp 25c | 19⅝ | 48c | 1.5 | 24.1 | Fe My Au No | 3630 |
| 2,090.9 | Pennzoil 83 1/3c | 48¼xd | $3.00 | 3.9 | 25.5 | Mar Jun S D | 3738 |

[illegible]

## CANADIANS

[illegible]

## BANKS, HP & LEASING

[illegible]

### Hire Purchase, Leasing, etc.

[illegible]

## BEERS, WINES & SPIRITS

[illegible]

## BUILDING, TIMBER, ROADS

[illegible]

## BUILDING, TIMBER, ROADS – Contd

[illegible]

## CHEMICALS, PLASTICS

[illegible]

## DRAPERY AND STORES

[illegible]

## DRAPERY AND STORES – Contd

[illegible]

## ELECTRICALS

[illegible]

## ENGINEERING

[illegible]

## ENGINEERING – Contd

[illegible]

## FOOD, GROCERIES, ETC

[illegible]

## HOTELS AND CATERERS

[illegible]

## INDUSTRIALS (Miscel.)

[illegible]

## INDUSTRIALS (Miscel.) – Contd

[illegible]

## INDUSTRIALS (Miscel.) – Contd.

[illegible]

## INSURANCES

[illegible]

# LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

## INSURANCES—Contd

## LEISURE

## MOTORS, AIRCRAFT TRADES

### Commercial Vehicles

### Components

### Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING, ADVERTISING

## PAPER, PRINTING, ADVERTISING — Contd

## PROPERTY

## SHIPPING

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TOBACCOS

## TRUSTS, FINANCE, LAND

### Investment Trusts

## TRUSTS, FINANCE, LAND—Contd

### Finance, Land, etc

## OIL AND GAS

## OIL AND GAS—Contd

## OVERSEAS TRADERS

## PLANTATIONS

### Rubbers, Palm Oil

### Teas

## MINES

### Central Rand

### Eastern Rand

### Far West Rand

### O.F.S.

### Diamond and Platinum

### Central African

### Finance

### Australians

### Tins

## MINES—Contd

### Miscellaneous

## THIRD MARKET

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 11.8 | Royal Sovereign 10p | 213 | 5.5 | 3.4 | 3.4 | May Nov | 1505 |
| 1.05 | Scott Pickford 10p | 15xd | d0.38 | 3.3 | 17.7 | August | 5062 |
| 10.6 | Seacon Hldgs | 152 | 2.5 | 2.2 | 3.4 | Oct May | 3968 |
| 3.91 | Staks Hldgs. 5p | 0½ | – | – | – | – | 4625 |
| 3.56 | Swangard Studios 1p | 2½ | – | – | – | – | 4666 |
| 1.06 | Systems Connection 2½p | N½ | – | – | – | – | 5152 |
| 10.2 | Tavern Leis. 20p | 40 | – | – | – | – | – |
| 11.5 | Tomorrows Leisure 20p | 103 | – | – | – | – | 4848 |
| 19.5 | Tullow Oil 10p | 13½ | – | – | 24.2 | – | 4886 |
| 3.43 | UPL Group 10p | 85 | 2.75 | 4.3 | 22.5 | Dec. July | [illegible] |
| 7.59 | Unit Group | [illegible] | 5.0 | 4.5 | 5.7 | Jan Aug | [illegible] |
| 5.03 | Vista Ents 5p | 9½ | – | – | – | – | [illegible] |
| 18.7 | Vizcaya Hldgs 5p | [illegible] | – | – | – | – | [illegible] |
| 55.9 | Whitegate Leisure 20p | 38 | – | – | – | – | [illegible] |
| 1.74 | Do. Wrrnts | [illegible] | – | – | – | – | [illegible] |
| 28.1 | Wilton Group 1p | [illegible] | – | – | 13.7 | – | [illegible] |

## NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✽ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♣ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date.
- § No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. & Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| | | |
|---|---|---|
| Albany Inv 20p γ | 96 | –1 |
| Craig & Rose £1 γ | 490 | ...... |
| Finlay Pkg. 5p γ | 88 | ...... |
| Holt (Jos) 25p γ | 1345 | ...... |

### IRISH

| | | |
|---|---|---|
| Cap. 8½% Ln. 1991 γ | £98½ | ...... |
| 9pc Cap Ln. 1996 γ | £101⅝ | ...... |
| Fin. 13% 97/02 γ | £122 | ...... |
| Arnotts γ | 420 | –2 |
| Carrol (P.J.) γ | 158 | +3 |
| Hall (R. & H.) γ | 170 | +3 |
| Helton Hldgs γ | 86 | ...... |
| Irish Ropes γ | 225 | ...... |
| United Drug γ | 142 | +4 |

## TRADITIONAL OPTIONS

3-month call rates

| Industrials | p |
|---|---|
| Allied-Lyons γ | 38 |
| Amstrad γ | 11 |
| BAT γ | 80 |
| BOC Grp γ | 42 |
| BSR γ | 6½ |
| BTR γ | 32 |
| Barclays γ | 42 |
| Beecham γ | 50 |
| Blue Circle γ | 48 |
| Boots γ | 25 |
| Bowaters γ | 44 |
| Brit Aerospace γ | 52 |
| British Steel γ | 7½ |
| Brit. Telecom γ | 21 |
| Burton Ord γ | 18 |
| Cadburys γ | 46 |
| Charter Cons γ | 40 |
| Comm Union γ | 32 |
| Courtaulds γ | 38 |
| FKI Babcock γ | 14 |
| FNFC γ | 22 |
| Gen Accident γ | 85 |
| GEC γ | 20 |
| Glaxo γ | 110 |
| Grand Met γ | 48 |
| GUS 'A' γ | 90 |
| Guardian γ | 16 |
| GKN γ | 34 |
| Hanson γ | 16 |
| Hawker Sidd γ | 60 |
| ICI γ | 108 |
| Jaguar γ | 28 |
| Ladbroke γ | 28 |
| Legal & Gen γ | 26 |
| Lex Service γ | 33 |
| Lloyds Bank γ | 29 |
| Lucas Inds γ | 58 |
| Marks & Spencer γ | 16 |
| Midland Bk γ | 38 |
| Morgan Grenfell γ | 24 |
| Nat West Bk γ | 25 |
| P & O Dfd γ | 55 |
| Plessey γ | 22 |
| Polly Peck γ | 26 |
| Racal Elect γ | 40 |
| RHM γ | 42 |
| Rank Org Ord γ | 80 |
| Reed Intnl γ | 34 |
| STC γ | 32 |
| Sears γ | 10 |
| TI γ | 50 |
| TSB γ | 10 |
| Tesco γ | 14 |
| Thorn EMI γ | 58 |
| Trust Houses γ | 24 |
| T&N γ | 16 |
| Unilever γ | 46 |
| Vickers γ | 16 |
| Wellcome γ | 42 |

| Property | |
|---|---|
| Brit Land γ | 32 |
| Land Securities γ | 52 |
| MEPC γ | 50 |
| Randsworth γ | 20 |

| Oils | |
|---|---|
| Brit Petroleum γ | 21 |
| Burmah Oil γ | 50 |
| Calor γ | 35 |
| Charterhall γ | 2½ |
| Premier γ | 9 |
| Shell γ | 32 |
| Ultramar γ | 26 |

| Mines | |
|---|---|
| Cons Gold γ | 150 |
| Lonrho γ | 30 |
| RTZ γ | 40 |

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

# CURRENCIES, MONEY AND CAPITAL MARKETS

## CURRENCIES AND MONEY REVIEW

# Yen struggles to retain confidence

THE JAPANESE yen has fallen by over five per cent against the D-Mark during the past two months. In the same period, interest rates in Japan have not been increased, and there has been irregular and seemingly less than determined intervention by the Bank of Japan. At the same time, the economy continues to expand, creating inflationary pressure.

So a fall in the yen's value is hardly s surprise, but the headlines affecting yen sentiment have barely mentioned any of these factors. For the time being at least, the yen has lost investor confidence. The political scandal and the subsequent poor showing in Upper House elections by the ruling Liberal Democratic Party have been cited as drawing strength away from the yen. But a change in political direction does not automatically create trade deficits, inflation or any of the other evils associated with a weak currency.

The institutional investor will want to take a much closer look before deciding on tha profit potential of yen holdings. Profitability in the last four years has come not only from a rising yen but also through the benefitial effects of a stronger currency on corporate profit margins. In the three years up to 1988, the import price part of the wholesale price index actually fell by over 40 per cent, allowing investors to benefit from ever increasing profit margins.

However, the tide may now be turning as a falling yen starts to squeeze profit margins. In the first six months of this year, the cost of imported raw materials has risen by nearly 16 per cent while the price of finished goods has crept up a mere 1.6 per cent. The ability and willingness to absorb higher costs through lower margins suggests that producers are confident of some sort of recovery by the yen, and this is where the high level of uncertainty increases the risk factor. Many analysts expect the yen to show only a marginal appreciation from current levels, and this would result in either the higher cost of imports being passed on to the consumer or a sharp reduction in profitability. All this is happening at time when the pace of economic growth is moderating when unit labour costs are beginning to rise.

Tha level of exposure to exchange rate loss has also acted as a deterrent to overseas investment in the Japanese Government bond market which, by contrast, has been performing quite well. The Bank of Japan has continued to buy in Government paper as part of a policy to bear down on inflation but this has also limited supply which has driven prices firmer.

Prospects in the short-term remain relatively neutral for the yen however. Trading activity is already starting to tail off as the holiday season gets under way, and the Bank of Japan will probably act to keep the yen on an even keel. On the ong hand economic growth, while slowing, is strong enough to rule out any easing in current monetary conditions, while a tightening at a time when trade negotiations are still in a delicate stage with the US would be considered unwise.

Of course, the recent setback for the LDP may only be a protest vote rather than a fundamental desire by the electorate to change political direction for the first time in 40 years. Either way, the mood of uncertainty is likely to be sufficient to make investors take a long hard look at the yen before making a decision.

**Jonas Crosland**

### £ IN NEW YORK

| July 28 | Close | Previous Close |
|---|---|---|
| £ Spot | 1.6525-1.6535 | 1.6545-1.6555 |
| 1 month | 0.70-0.68pm | 0.69-0.68pm |
| 3 months | 1.98-1.03pm | 2.07-2.04pm |
| 12 months | 7.27-7.12pm | 7.20-7.05pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

| | July 28 | Previous |
|---|---|---|
| 8.30 am | 93.4 | 93.2 |
| 9.00 am | 93.4 | 93.2 |
| 10.00 am | 93.4 | 93.3 |
| 11.00 am | 93.4 | 93.3 |
| Noon | 93.4 | 93.4 |
| 1.00 pm | 93.4 | 93.5 |
| 2.00 pm | 93.3 | 93.4 |
| 3.00 pm | 93.3 | 93.3 |
| 4.00 pm | 93.2 | 93.4 |

### CURRENCY RATES

| July 28 | Bank rate % | Special* Drawing Rights | European † Currency Unit |
|---|---|---|---|
| Sterling # | - | 1.29364 | 1.49727 |
| U.S Dollar | 7 | 1.28305 | 1.10635 |
| Canadian $ | 12.39 | 1.51772 | 1.31014 |
| Austrian Sch. | 5 | 16.8888 | 14.6171 |
| Belgian Franc | 7.75 | 50.2186 | 43.4960 |
| Danish Krone | 9½ | 9.33098 | 8.07578 |
| Deutsche Mark | 5.00 | 2.39879 | 2.07717 |
| Neth. Guilder | 6.00 | 2.70595 | 2.34302 |
| French Franc | 9½ | 8.12299 | 1.03415 |
| Italian Lira | 13½ | 1727.02 | 1494.40 |
| Japanese Yen | 3¼ | 178.857 | 154.114 |
| Norway Krone | 8 | 0.80557 | 7.61720 |
| Spanish Peseta | - | 150.562 | 130.217 |
| Swedish Krona | 9½ | 8.20061 | 7.08947 |
| Swiss Franc | 5.5 | 2.06571 | 1.78620 |
| Greek Drach. | 20½ | 207.656 | 179.593 |
| Irish Punt | - | 0.897932 | 0.778953 |

# Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for July 27

### CURRENCY MOVEMENTS

| July 28 | Bank of England Index | Morgan** Guaranty Changes % |
|---|---|---|
| Sterling | 93.2 | N/A |
| U.S Dollar | 69.6 | N/A |
| Canadian Dollar | 103.6 | N/A |
| Austrian Schilling | 106.6 | N/A |
| Belgian Franc | 106.3 | N/A |
| Danish Krone | 103.5 | N/A |
| Deutsche Mark | 112.9 | N/A |
| Swiss Franc | 107.1 | N/A |
| Guilder | 110.3 | N/A |
| French Franc | 99.5 | N/A |
| Lira | 99.8 | N/A |
| Yen | 140.1 | N/A |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for July 27.

### OTHER CURRENCIES

| July 28 | £ | $ |
|---|---|---|
| Argentina | 1071.40 - 1079.95 | 650.00 - 655.00 |
| Australia | 2.2050 - 2.2075 | 1.3375 - 1.3385 |
| Brazil | 3.2680 - 3.2785 | 1.9825 - 1.9875 |
| Finland | 6.9730 - 6.9940 | 4.2340 - 4.2360 |
| Greece | 266.75 - 271.25 | 161.05 - 165.65 |
| Hong Kong | 12.8645 - 12.8775 | 7.8040 - 7.8060 |
| Iran | 119.00* | 72.00* |
| Korea(Sth) | 1100.30 - 1109.15 | 664.60 - 670.00 |
| Kuwait | 0.48790 - 0.48980 | 0.29440 - 0.29540 |
| Luxembourg | 64.90 - 65.00 | 39.45 - 39.55 |
| Malaysia | 4.3825 - 4.3940 | 2.6610 - 2.6630 |
| Mexico | 4174.00 - 4178.28 | 2523.00 - 2533.00 |
| N Zealand | 2.8330 - 2.8390 | 1.7175 - 1.7205 |
| Saudi Ar. | 6.2145 - 6.2195 | 3.7500 - 3.7510 |
| Singapore | 3.2235 - 3.2290 | 1.9556 - 1.9575 |
| S. Af (Cm) | 4.3870 - 4.3980 | 2.6660 - 2.6710 |
| S. Af (Fn) | 6.7585 - 6.8995 | 4.0985 - 4.1840 |
| Taiwan | 42.45 - 42.55 | 25.75 - 25.80 |
| U.A.E. | 6.0855 - 6.0910 | 3.6720 - 3.6730 |

*Selling rate

### EURO-CURRENCY INTEREST RATES

| July 28 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### POUND SPOT- FORWARD AGAINST THE POUND

| July 28 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.6405 - 1.6585 | 1.6445 - 1.6455 | 0.69-0.66cpm | 4.92 | 2.08-2.04pm | 5.01 |
| Canada | 1.9470 - 1.9630 | 1.9470 - 1.9480 | 0.28-0.19cpm | 1.45 | 0.88-0.74pm | 1.66 |
| Netherlands | 3.49½ - 3.51¼ | 3.49½ - 3.50½ | 2-1¾cpm | 6.64 | 5¾-5⅝pm | 6.57 |
| Belgium | 64.75 - 65.25 | 64.90 - 65.00 | 32-27cpm | 5.45 | 90-84pm | 5.36 |
| Denmark | 12.05¼ - 12.10½ | 12.06¼ - 12.06¾ | 4¾-4¼orepm | 4.60 | 14-13¼pm | 4.50 |
| Ireland | 1.1640 - 1.1695 | 1.1640 - 1.1650 | 0.45-0.40ppm | 4.38 | 1.20-1.10pm | 3.95 |
| W. Germany | 3.10 - 3.13½ | 3.10¼ - 3.10¾ | 1¾-1⅝pfpm | 7.00 | 5¾-5½pm | 6.76 |

### EXCHANGE CROSS RATES

| July 28 | £ | $ | DM | Yen | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.645 | 3.105 | 229.5 | 10.52 | 2.673 | 3.500 | 2230 | 1.948 | 64.95 |
| $ | 0.608 | 1 | 1.888 | 139.5 | 6.395 | 1.625 | 2.128 | 1356 | 1.184 | 39.48 |
| DM | 0.322 | 0.530 | 1 | 73.91 | 3.388 | 0.861 | 1.127 | 718.2 | 0.627 | 20.92 |
| YEN | 4.357 | 7.168 | 13.53 | 1000. | 45.84 | 11.65 | 15.25 | 9717 | 8.488 | 283.0 |
| F Fr. | 0.951 | 1.564 | 2.952 | 218.2 | 10. | 2.541 | 3.327 | 2120 | 1.852 | 61.74 |
| S Fr. | 0.374 | 0.615 | 1.162 | 85.86 | 3.936 | 1 | 1.309 | 834.3 | 0.729 | 24.30 |
| H Fl. | 0.286 | 0.470 | 0.887 | 65.57 | 3.006 | 0.764 | 1 | 637.1 | 0.557 | 18.56 |
| Lira | 0.448 | 0.738 | 1.392 | 102.9 | 4.717 | 1.199 | 1.570 | 1000. | 0.874 | 29.13 |
| C $ | 0.513 | 0.844 | 1.594 | 117.8 | 5.400 | 1.372 | 1.797 | 1145 | 1 | 33.34 |
| B Fr. | 1.540 | 2.533 | 4.780 | 353.3 | 16.20 | 4.115 | 5.389 | 3433 | 2.999 | 100. |

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

### DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

### FT LONDON INTERBANK FIXING

### MONEY RATES

### LONDON MONEY RATES

### BANK OF ENGLAND TREASURY BILL TENDER

### WEEKLY CHANGE IN WORLD INTEREST RATES

## MONEY MARKETS

# Sterling all set to build on its recent rally

STERLING HAS come through the recent round of monthly economic data with flying colours. June trade figures, while poor as the seventh worst on record, were sufficiently better than soma of the market predictions to add a boost to sentiment.

The pound has a clear path this week, with no economic statistics due for release, and with little else to affect sentiment, the high level of return offered on sterling instruments makes it an extremely attractive buy. While sterling continues to appreciate, the debate on the timing of the next base rate cut will intensify. Despite recent data which suggest that retail sales are slowing and that inflation may have peaked, the chances of an early cut in rates remain as remote as at any time since rates were increased to their current level

**UK clearing bank base lending rate 14 per cent from May 24**

Monetary policy must be kept tight if the Government is to maintain its squeeze on margins and also to offset the fiscal loosening this Autumn when revised National Insurance contributions are introduced which will be the equivalent of a 3p cut in the basic rate of tax. So, many analysts are now looking as far ahead as the UK Budget next March

Furthermore, the emphasis placed recently on rising wage cost as a cause for concern is regarded by some as missing a more important point. In the last three years, average earnings have risen from 7.5 per cent to 9.5 per cent; retail price inflation over the same period has risen from 2.5 per cent to .3 per cent. Large increases in corporate profitability are seen as a key factor behind this inflationary trend, and high interest rates and a strong pound are a painful but effective way of controlling the profits rise.



### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping | Fri Jul 28: US Dollar Index | % change since Dec.30 '88 | Pound Sterling Index | Local Currency Index | % change local currency since Dec.30 '88 | Gross Div. Yield | Thu Jul 27: US Dollar Index | Pound Sterling Index | Local Currency Index | Dollar Index 1989 High | 1989 Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (85) | 140.05 | −3.1 | 126.23 | 124.64 | +10.7 | 4.76 | 142.23 | 127.03 | 124.92 | 157.12 | 128.28 | 146.62 |
| Austria (19) | 127.37 | +32.8 | 114.79 | 124.76 | +40.8 | 1.95 | 128.06 | 114.38 | 124.71 | 128.06 | 92.64 | 85.89 |
| Belgium (63) | 133.18 | −1.4 | 120.02 | 130.04 | +4.5 | 4.21 | 133.76 | 119.47 | 129.48 | 137.10 | 125.58 | 113.50 |
| Canada (124) | 149.22 | +18.9 | 134.49 | 128.04 | +18.0 | 3.14 | 149.29 | 133.34 | 127.94 | 149.29 | 124.67 | 124.50 |
| Denmark (36) | 213.55 | +25.3 | 192.47 | 213.04 | +34.0 | 1.47 | 214.81 | 181.94 | 212.43 | 219.89 | 165.35 | 128.21 |
| Finland (26) | 142.45 | +8.8 | 128.39 | 126.81 | +10.7 | 2.15 | 143.91 | 128.53 | 127.21 | 159.16 | 125.31 | 130.53 |
| France (127) | 130.43 | +13.4 | 117.55 | 130.73 | +19.6 | 2.90 | 130.91 | 116.92 | 129.98 | 130.91 | 112.57 | 92.60 |
| West Germany (100) | 96.21 | +8.4 | 98.71 | 94.39 | +16.4 | 2.18 | 97.66 | 87.22 | 94.89 | 97.69 | 79.58 | 74.59 |
| Hong Kong (49) | 105.93 | −5.3 | 95.47 | 106.16 | −5.3 | 5.06 | 104.23 | 93.09 | 104.44 | 140.53 | 88.41 | 108.98 |
| Ireland (17) | 155.58 | +18.1 | 140.22 | 155.58 | +26.1 | 2.70 | 156.99 | 140.21 | 155.18 | 158.99 | 125.00 | 137.01 |
| Italy (97) | 92.28 | +8.4 | 83.17 | 93.46 | +12.8 | 2.40 | 93.00 | 83.06 | 93.42 | 93.00 | 74.97 | 72.83 |
| Japan (455) | 188.14 | −1.8 | 169.56 | 165.96 | +9.7 | 0.48 | 189.19 | 168.97 | 166.05 | 200.11 | 164.22 | 167.32 |
| Malaysia (36) | 189.74 | +32.2 | 171.00 | 194.52 | +29.8 | 2.47 | 188.22 | 168.10 | 192.96 | 190.26 | 143.35 | 151.12 |
| Mexico (13) | 270.69 | +57.3 | 243.96 | 748.18 | +84.8 | 0.67 | 270.15 | 241.28 | 747.29 | 277.40 | 153.32 | 153.83 |
| Netherland (43) | 127.03 | +13.0 | 114.49 | 123.38 | +20.1 | 4.20 | 128.58 | 114.84 | 123.68 | 128.58 | 110.63 | 106.48 |
| New Zealand (21) | 69.34 | +1.1 | 81.60 | 62.38 | +8.5 | 5.96 | 68.80 | 61.45 | 62.48 | 76.02 | 62.64 | 79.51 |
| Norway (25) | 183.58 | +32.1 | 165.45 | 172.18 | +39.1 | 1.50 | 184.20 | 164.52 | 171.58 | 198.39 | 139.92 | 120.96 |
| Singapore (26) | 168.46 | +34.7 | 151.82 | 151.88 | +35.6 | 1.87 | 167.57 | 149.66 | 151.00 | 169.33 | 124.57 | 131.12 |
| South Africa (60) | 147.94 | +26.6 | 133.34 | 133.91 | +36.3 | 4.02 | 148.59 | 132.71 | 134.78 | 153.27 | 115.35 | 120.06 |
| Spain (43) | 152.66 | +2.9 | 137.59 | 136.93 | +7.5 | 3.76 | 153.31 | 136.93 | 136.47 | 155.17 | 143.14 | 146.81 |
| Sweden (35) | 162.18 | +26.0 | 164.19 | 173.21 | +32.1 | 1.98 | 183.02 | 163.46 | 173.20 | 183.02 | 138.45 | 118.26 |
| Switzerland (64) | 90.01 | +15.3 | 81.12 | 90.62 | +24.6 | 2.12 | 89.54 | 79.97 | 89.23 | 90.01 | 67.81 | 77.29 |
| United Kingdom (312) | 156.68 | +15.8 | 141.21 | 141.21 | +27.3 | 4.10 | 156.71 | 139.96 | 139.96 | 156.71 | 133.28 | 132.38 |
| USA (552) | 139.25 | +23.0 | 125.50 | 139.25 | +23.0 | 3.27 | 138.10 | 124.23 | 139.10 | 139.25 | 112.13 | 110.78 |
| Europe (1007) | 129.62 | +13.0 | 116.82 | 122.36 | +21.7 | 3.35 | 130.18 | 118.26 | 121.77 | 130.18 | 112.63 | 105.32 |
| Nordic (122) | 173.66 | +24.4 | 156.51 | 161.32 | +30.9 | 1.76 | 174.62 | 155.95 | 161.13 | 174.62 | 137.95 | 113.91 |
| Pacific Basin (672) | 183.18 | −1.7 | 165.10 | 162.09 | +9.5 | 0.70 | 184.18 | 164.50 | 162.14 | 194.72 | 160.44 | 164.19 |
| Euro – Pacific (1679) | 161.86 | +2.7 | 145.88 | 146.15 | +18.1 | 1.56 | 162.69 | 145.30 | 145.95 | 164.22 | 141.56 | 140.65 |
| North America (676) | 139.75 | +22.8 | 125.95 | 138.56 | +22.7 | 3.26 | 136.81 | 124.69 | 138.41 | 136.75 | 112.79 | 111.49 |
| Europe Ex. UK (695) | 112.61 | +10.8 | 101.49 | 110.72 | +17.8 | 2.77 | 113.45 | 101.33 | 110.55 | 113.45 | 96.30 | 88.53 |
| Pacific Ex. Japan (217) | 123.92 | −0.5 | 111.68 | 113.84 | +8.7 | 4.59 | 124.35 | 111.06 | 113.38 | 137.65 | 111.93 | 128.50 |
| World Ex. US (1876) | 161.38 | +3.3 | 145.43 | 145.65 | +13.5 | 1.64 | 162.15 | 144.82 | 145.46 | 162.77 | 141.49 | 139.90 |
| World Ex. UK (2118) | 151.98 | +8.6 | 136.97 | 143.67 | +15.4 | 1.97 | 152.47 | 136.18 | 143.60 | 152.47 | 136.98 | 128.24 |
| World Ex. So. Af. (2368) | 152.41 | +8.0 | 137.37 | 143.48 | +16.3 | 2.15 | 152.87 | 136.53 | 143.30 | 152.87 | 136.67 | 123.65 |
| World Ex. Japan (1973) | 135.51 | +18.2 | 122.13 | 131.87 | +21.8 | 3.35 | 135.67 | 121.17 | 131.64 | 135.67 | 114.51 | 110.03 |
| The World Index (2428) | 152.39 | +9.1 | 137.34 | 143.42 | +16.4 | 2.16 | 152.84 | 136.50 | 143.24 | 152.84 | 136.88 | 128.60 |

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).
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CONSTITUENT CHANGES: Insertions:Elektrowatt Part.Certs.(Switzerland)(26/7/89),SmithKline Beecham A and SmithKline Beecham/SmithKline Beckman Units (both UK)(27/7/89). Deletions: NWA, Warner Comms.(both US)(26/7/89),Hooker Corp.(Australia),Beecham (UK) and SmithKline Beckman (US)(27/7/89).

### EUROPEAN OPTIONS EXCHANGE

| Series | | Aug. 89 Vol | Last | Nov. 89 Vol | Last | Feb. 90 Vol | Last | Stock |
|---|---|---|---|---|---|---|---|---|
| Gold C | $370 | 40 | 7 | - | - | - | - | $370.40 |
| Gold C | $390 | 350 | 1 | - | - | - | - | $370.40 |

TOTAL VOLUME IN CONTRACTS: 44,773
A=Ask B=Bid C=Call P=Put

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| ABN Bank | 14 | City Merchants Bank | 14 | Mount Banking | 14 |
| Adam & Company | 14 | Clydesdale Bank | 14 | Nat Bk. of Kuwait | 14 |
| AAB - Allied Arab Bk | 14 | Comm. Bk. N. East | 14 | NatWestminster | 14 |
| Allied Irish Bank | 14 | Co-operative Bank | *14 | Northern Bank Ltd | 14 |
| ● Henry Ansbacher | 14 | Coutts & Co | 14 | Norwich Gen. Trust | 14 |
| Associates Cap Corp | 14 | Cyprus Popular Bk | 14 | PRIVATbanken Limited | 14 |
| Authority Bank | 14 | Dunbar Bank PLC | 14 | Provincial Bank PLC | 15 |
| ● B & C Merchant Bank | 14 | Duncan Lawrie | 14 | R. Raphael & Sons | 14 |
| Bank of Baroda | 14 | Equatorial Bank plc | 14 | Roxburghe G'rantee | 14½ |
| Banco Bilbao Vizcaya | 14 | Exeter Trust Ltd | 14½ | Royal Bk of Scotland | 14 |
| Bank Hapoalim | 14 | Financial & Gen. Bank | 14 | Royal Trust Bank | 14 |
| Bank Credit & Comm | 14 | First National Bank Plc | 15 | ● Smith & Williamsn Secs. | 14 |
| Bank of Cyprus | 14 | ● Robert Fleming & Co. | 14 | Standard Chartered | 14 |
| Bank of Ireland | 14 | Robert Fraser & Ptnrs. | 14½ | TSB | 14 |
| Bank of India | 14 | Girobank | 14 | United Bk of Kuwait | 14 |
| Bank of Scotland | 14 | ● Guinness Mahon | 14 | United Mizrahi Bank | 14 |
| Banque Belge Ltd | 14 | HFC Bank plc | 14 | Unity Trust Bank Plc | 14 |
| Barclays Bank | 14 | ● Hambros Bank | 14 | Western Trust | 14 |
| Benchmark Bank PLC | 14 | Heritable & Gen Inv Bnk. | 14 | Westpac Bank Corp. | 14 |
| Berliner Bank AG | 14 | ● Hill Samuel | §14 | Whiteaway Laidlaw | 14 |
| Brit Bk of Mid East | 14 | C. Hoare & Co. | 14 | Yorkshire Bank | 14 |
| ● Brown Shipley | 14 | Hongkong & Shangh | 14 | | |
| Business Mtge Tst | 14½ | ● Leopold Joseph & Sons | 14 | | |
| CL Bank Nederland | 14 | Lloyds Bank | 14 | | |
| Central Capital | 14 | McDonnell Douglas Bnk | 14 | | |
| ● Charterhouse Bank | 14 | Meghraj Bank Ltd | 14 | | |
| Citibank NA | 14 | Midland Bank | 14 | | |

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JOTTER PAD

### LONDON RECENT ISSUES

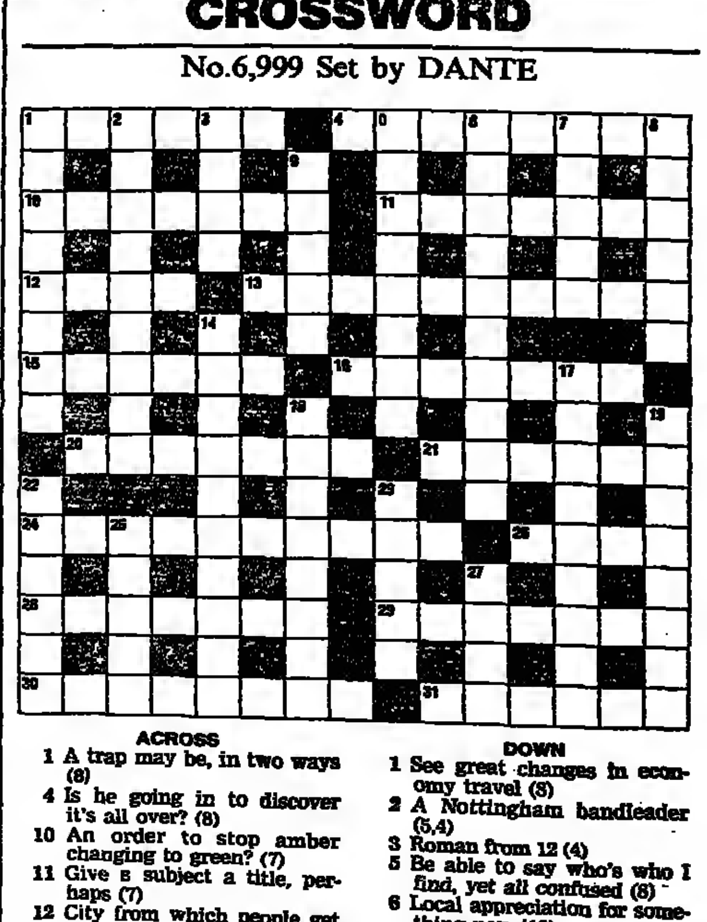
EQUITIES

### FIXED INTEREST STOCKS

### RIGHTS OFFERS

## CROSSWORD

No.6,999 Set by DANTE



**ACROSS**

1 A trap may be, in two ways (8)
4 Is he going in to discover it's all over? (8)
10 An order to stop amber changing to green? (7)
11 Give a subject a title, perhaps (7)
12 City from which people get a single return? (4)
13 Entrances prisoners are put out at (10)
15 Discontented person is nothing less than a Marxist (6)
16 See 18 down
20 Dot three i's perhaps, many find it silly (7)
21 He tries to prevent ill-feeling (6)
24 It's something to go on (5,5)
26 Issue a period return (4)
28 Running count includes artist (7)
29 Deserter's retreat? (3-4)
30 It's champagne and the highlights for these contemporary idols (3-5)
31 They have news or distribute it (8)

**DOWN**

1 See great changes in economy travel (8)
2 A Nottingham bandleader (5,4)
3 Roman from 12 (4)
5 Be able to say who's who I find, yet all confused (8)
6 Local appreciation for something new (10)
7 Monastic practice (5)
8 Elegant – like a female doctor? (6)
9 Dependable form of alloy (5)
14 Relation getting tan in summer (10)
17 Temple too elaborate for Indians to venerate (5,4)
18 and 16 Senior politician in torment if seat is in jeopardy (8,2,5)
19 Food for people or horses (8)
22 It may hold what is laid on the table (3-3)
23 A trial spin? (5)
25 Sally follows a direction to arm (6)
27 Put away five letters (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday August 12.

# WORLD STOCK MARKETS

## AMEX COMPOSITE PRICES

4pm prices July 28

## INDICES

### NEW YORK DOW JONES

| | July 28 | July 27 | July 26 | July 25 | 1989 High | 1989 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|
| ♦Industrials | 2635.24 | 2635.43 | 2613.05 | 2583.08 | 2635.43 (27/7) | 2144.64 (3/1) | 2722.42 (25/8/87) | 41.22 (2/7/32) |
| Home Bonds | 93.42 | 93.08 | 92.93 | 92.79 | 93.42 (28/7) | 87.35 (23/3) | – | – |
| Transport | 1269.20 | 1266.18 | 1266.66 | 1253.07 | 1269.20 (28/7) | 959.95 (3/1) | 1269.20 (28/7/89) | 12.32 (8/7/32) |
| Utilities | 219.82 | 217.93 | 217.18 | 215.42 | 219.82 (28/7) | 181.84 (24/2) | 227.83 (22/1/87) | 10.50 (8/4/32) |

♦Day's High 2656.68 (2649.28) Low 2615.71 (2604.70)

| STANDARD AND POOR'S | July 28 | July 27 | July 26 | July 25 | 1989 High | 1989 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 342.15 | 341.99 | 338.05 | 333.88 | 342.15 (28/7) | 275.31 (3/1) | 342.15 (28/7/89) | 4.40 (1/6/32) |
| Industrials | 391.31 | 391.87 | 387.31 | 382.20 | 391.87 (27/7) | 318.66 (3/1) | 393.17 (25/8/87) | 3.62 (21/6/32) |
| Financial | 32.56 | 32.54 | 31.82 | 31.84 | 32.56 (28/7) | 24.30 (3/1) | 32.56 (28/7/89) | 8.64 (1/10/74) |
| NYSE Composite | 190.38 | 190.22 | 188.14 | 186.10 | 190.38 (28/7) | 154.98 (3/1) | 190.38 (28/7/89) | 4.46 (25/4/42) |
| Amex Mkt. Value | 374.51 | 375.35 | 372.78 | 370.12 | 375.35 (27/7) | 305.24 (3/1) | 375.35 (27/7/89) | 29.31 (9/12/72) |
| NASDAQ OTC Comp | 452.82 | 452.48 | 449.12 | 446.47 | 453.65 (9/6) | 378.56 (3/1) | 455.28 (26/8/87) | 54.87 (31/10/72) |

| | July 21 | July 14 | July 7 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.47 | 3.54 | 3.63 | 3.54 |

| | July 26 | July 19 | July 12 | year ago (approx.) |
|---|---|---|---|---|
| S & P Industrial div. yield | 2.90 | 2.92 | 2.98 | 3.12 |
| S & P Indl. P/E ratio | 14.22 | 14.10 | 13.81 | 14.10 |

TRADING ACTIVITY † Volume Millions

| | July 28 | July 27 | July 26 |
|---|---|---|---|
| New York | 180.610 | 213.680 | 189.103 |
| Amex | 12.952 | 14.206 | 12.992 |
| OTC | 128.905 | 140.255 | 124.475 |

| NEW YORK | July 28 | July 27 | July 26 |
|---|---|---|---|
| Issues Traded | 1960 | 1982 | 1946 |
| Rises | 800 | 1010 | 967 |
| Falls | 663 | 479 | 479 |
| Unchanged | 497 | 493 | 500 |
| New Highs | 203 | 255 | 141 |
| New Lows | 20 | 19 | 18 |

### CANADA TORONTO

| | July 28 | July 27 | July 26 | July 25 | 1989 High | 1989 Low |
|---|---|---|---|---|---|---|
| Metals & Minerals | 3443.7 | 3452.7 | 3415.9 | 3316.1 | 3564.9 (6/2) | 3207.5 (3/1) |
| Composite | 3966.8 | 3958.9 | 3935.3 | 3899.8 | 3966.8 (28/7) | 3350.5 (6/1) |
| MONTREAL Portfolio | 2021.38 | 2015.97 | 2000.43 | 1977.12 | 2021.38 (28/7) | 1677.48 (3/1) |

### NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Closing price | Change on day | | Stocks traded | Closing price | Change on day |
|---|---|---|---|---|---|---|---|
| Bristol-Myers | 5,929,100 | 48⅝ | – 1⅛ | Upjohn | 2,838,100 | 34⅝ | + 1⅝ |
| Chase Man | 4,043,300 | 38⅞ | + ⅛ | Merrill Lynch | 2,416,600 | 34½ | + ⅞ |
| Squibb | 3,576,200 | 110⅝ | – 2⅝ | K Mart | 1,797,300 | 40⅝ | + 1⅛ |
| Can-Pacific | 3,145,500 | 23⅝ | + 1⅛ | Citicorp | 1,793,800 | 33⅛ | + 1⅛ |
| USX | 2,969,100 | 37 | + ⅛ | AT&T | 1,708,400 | 40⅝ | – ½ |

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

| | July 28 | July 27 | July 26 | July 25 | 1989 High | 1989 Low |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1626.8 | 1628.2 | 1617.7 | 1606.5 | 1628.2 (27/7) | 1412.9 (7/4) |
| All Mining (1/1/80) | 765.1 | 763.1 | 756.0 | 749.9 | 765.1 (28/7) | 652.6 (7/4) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 359.77 | 358.53 | 358.22 | 354.90 | 366.67 (21/6) | 219.5 (2/1) |
| **BELGIUM** | | | | | | |
| Brussels SE (1/1/80) | 6133.17 | 6106.37 | 6088.67 | 6070.04 | 6158.43 (13/6) | 5519.30 (4/1) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 351.58 | 350.56 | 348.55 | 346.06 | 356.65 (12/7) | 275.49 (27/2) |
| **FINLAND** | | | | | | |
| Unitas General (1975) | 778.8 | 779.1 | 777.5 | 777.8 | 815.8 (18/4) | 723.3 (4/1) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | 503.3 | 497.8 | 495.4 | 495.5 | 503.3 (28/7) | 417.9 (4/1) |
| Ind. Tendance (30/12/88) | 122.4 | 119.3 | 118.1 | 118.3 | 122.4 (28/7) | 97.5 (27/2) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 639.79 | 643.52 | 645.59 | 637.75 | 645.59 (26/7) | 535.78 (27/2) |
| Commerzbank (1/12/53) | 1912.0 | 1923.7 | 1928.9 | 1903.9 | 1928.9 (26/7) | 1595.7 (27/2) |
| DAX (30/12/87) | 1553.27 | 1567.05 | 1568.52 | 1555.83 | 1568.52 (26/7) | 1271.70 (23/2) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 2526.75 | 2493.71 | 2489.03 | 2517.02 | 3309.64 (15/5) | 2093.61 (5/6) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 680.01 | 679.76 | 670.89 | 664.01 | 683.39 (17/7) | 577.49 (28/2) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 34705.63 | 34785.28 | 34515.83 | 34538.9 | 34785.28 (27/7) | 30183.79 (5/1) |
| Tokyo SE (Topix) (4/1/68) | 2606.61 | 2605.48 | 2586.13 | 2584.07 | 2606.61 (28/7) | 2366.91 (6/1) |
| **NETHERLANDS** | | | | | | |
| CBS Tll.Rtn.Gen. (End 1983) | 256.7 | 257.4 | 256.0 | 256.4 | 257.4 (27/7) | 208.3 (3/1) |
| CBS All Shr (End 1983) | 199.8 | 200.4 | 199.2 | 199.6 | 200.4 (27/7) | 166.7 (1/3) |
| **NORWAY** | | | | | | |
| Oslo SE (2/1/83) | 650.13 | 649.09 | 663.25 | 661.50 | 668.90 (14/7) | 467.17 (2/1) |
| **SINGAPORE** | | | | | | |
| Straits Times Ind. (30/12/66) | 1370.14 | 1366.36 | 1370.35 | 1371.37 | 1371.37 (25/7) | 1030.69 (4/1) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 1601.0‡ | 1615.0 | 1584.0 | 1574.0 | 1639.0 (23/3) | 1291.0 (15/2) |
| JSE Industrial (28/9/78) | 2686.0‡ | 2693.0 | 2676.0 | 2679.0 | 2693.0 (27/7) | 1961.0 (3/1) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 302.23 | 300.78 | 301.74 | 302.31 | 315.90 (13/6) | 268.61 (1/3) |
| **SWEDEN** | | | | | | |
| Jacobson & P. (31/12/56) | 4435.8 | 4426.9 | 4419.1 | 4404.3 | 4435.8 (28/7) | 3333.9 (3/1) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 775.3 | 766.1 | 766.1 | 763.2 | 775.3 (28/7) | 613.1 (3/1) |
| **WORLD** | | | | | | |
| M.S. Capital Intl. (1/1/70) | (u) | 540.6 | 532.9 | 526.3 | 540.6 (27/7) | 487.6 (13/6) |

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

### TOKYO - Most Active Stocks

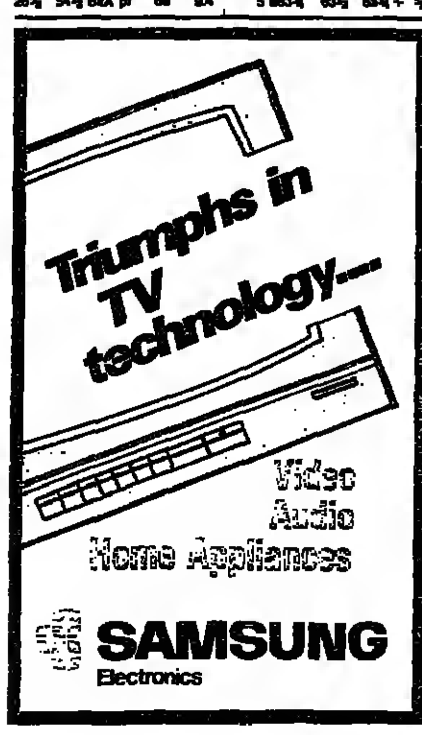
Friday July 28 1989

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Nippon Steel | 39.4m | 872 | +7 | Taisei | 12.1m | 1,770 | -60 |
| Sekisui Chmcl | 32.2m | 1,730 | +40 | Haseko | 11.9m | 1,590 | +19 |
| Kawasaki Steel | 19.9m | 959 | +4 | Shimizu | 11.8m | 2,370 | -10 |
| Obayashi | 18.8m | 1,970 | -50 | Sumitomo Metal | 11.4m | 836 | +8 |
| Sumitomo Corp | 15.4m | 1,650 | -10 | Daiwa House | 11.1m | 2,650 | -12 |

4pm prices July 28

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| | | – A–A–A – | | | | | | | | |
| 33¼ | 21⅝ | AAR | .44 | 1.6 | 21 | 137 | 33 | 28⅛ | 32⅞ | + ⅝ |
| 10⅛ | 8⅞ | ACM n | 1.01 | 11. | | 211 | 9⅛ | 8¼ | 9½ | + ⅛ |
| 11⅛ | 10⅛ | ACMIn | 1.26a | 11. | | 404 | 11½ | 11⅛ | 11½ | |
| 10⅛ | 8½ | ACM M | a1.01 | 11. | | 262 | 9¼ | 8 | 9⅛ | + ⅛ |
| 11½ | 13 | ACM Sc | 1.35 | 11. | | 376 | 11⅛ | 11⅛ | 11⅜ | + ⅛ |
| 9½ | 9⅞ | ACMSp | 1.01 | 11. | | 360 | 9¼ | 9¼ | 9⅛ | – ⅛ |
| 17¼ | 19⅞ | AL Lab | .10 | .7 | 10 | 93 | 17¼ | 16⅝ | 17¼ | + ⅛ |
| 4⅛ | 5⅝ | AMCA | .12e | 3.1 | 28 | 68 | 3⅞ | 3¼ | 8⅞ | |
| 6⅝ | 4½ | AM Intl | | | | 715 | 5⅞ | 5¼ | 5¼ | – ⅛ |
| 23½ | 20⅝ | AM In pf | 2 | 9.4 | | 25 | 21¼ | 21⅛ | 21¼ | |
| 69½ | 40⅞ | AMR | | | 6 | 4018 | 69 | 27½ | 68¼ | + ½ |
| 27 | 20 | ANR pf | 2.67 | 10. | | 27 | 28⅛ | 28⅛ | 28⅜ | + ⅛ |
| 24⅞ | 22⅛ | ANR pf | 2.19 | 8.6 | | 1 | 24⅝ | 24⅝ | 24⅞ | |
| 8⅝ | 8⅝ | ARX | | | | 62 | 4⅛ | 4⅝ | 4⅛ | – ⅛ |
| 43½ | 35¼ | ASA | 3a | 7.1 | | 244 | 42⅞ | 42 | 43⅛ | – ⅛ |
| 22⅝ | 13¼ | AVX | .24 | 1.3 | 8 | 226 | 18⅞ | 18⅛ | 18⅛ | – ⅛ |
| 65 | 45½ | AbtLab | 1.40 | 2.1 | 16 | 3525 | u65¼ | 24½ | 65¼ | + ⅜ |
| 10¼ | 13⅛ | Abitibi g | 1 | | | 109 | 14⅛ | 14 | 14 | |
| 12 | 7½ | AcmeC | .40 | 3.3 | | 123 | 12⅛ | 11⅛ | 12⅛ | + ⅛ |
| 34⅜ | 28⅛ | Acuson | | | 27 | 1454 | u34⅛ | 34 | 34⅞ | + ⅝ |
| 10⅞ | 14¼ | AdaEx | 1.82e | 11. | | 149 | 16 | 10⅝ | 15⅞ | |
| 13⅞ | 7⅛ | AMD | | | | 3552 | 8⅞ | 8⅛ | 8⅝ | – ⅛ |
| 39¼ | 28¼ | AMD pf | 3 | 9.6 | | 28 | 21¼ | 21⅛ | 31½ | – ⅜ |
| 11⅞ | 8½ | Adobe | | | | 100 | 11⅝ | 11 | 11 | – ⅛ |
| 19⅝ | 18½ | Adob pf | 1.84 | 9.6 | | 16 | 10⅛ | 10⅝ | 16⅛ | |
| 9¼ | 8⅛ | Advest | .15 | 1.5 | 14 | 749 | 8 | 7⅞ | 8 | |
| 68⅞ | 40½ | AetnLf | 2.76 | 4.7 | 9 | 2698 | u69¼ | 20½ | 60 | + ⅛ |
| 14 | 18⅛ | AflPb | | | | 4176 | 18⅝ | 13⅝ | 18⅜ | – ½ |
| 23⅜ | 14⅝ | Ahmans | .88 | 4.0 | 11 | 2901 | 32¼ | 21⅝ | 22¼ | + ½ |
| 4⅝ | 2⅛ | Aileen | | | | 126 | 2⅞ | 2⅛ | 2½ | |
| 49¾ | 37⅛ | AirPrd | 1.32 | 2.9 | 11 | 1149 | 44⅞ | 44⅛ | 44⅞ | – ⅛ |
| 35 | 16½ | AirbFrt | .68 | 1.9 | 21 | 126 | 32 | 31⅛ | 33 | + ⅛ |
| 28⅛ | 13⅛ | Airgas | | | 18 | 36 | 24⅛ | 24⅝ | 24⅝ | – ⅛ |
| 28½ | 17⅛ | Airlease | 2.40 | 12. | 9 | 24 | 20¼ | 10⅛ | 20⅛ | + ⅛ |
| 35 | 21½ | AlaP | pf2.13e | 8.8 | | 5 | 23 | 23 | 26 | + ⅛ |
| 10 | 8⅝ | AlaP | dpf.87 | 3.0 | | 21 | 9⅞ | 9⅛ | 9⅛ | |
| 96¼ | 86¼ | AlaP pf | 8 | 9.6 | | z30 | 94⅝ | 94⅛ | 24⅛ | |
| 99¼ | 92½ | AlaP pf | 8.44 | 2.7 | | z920 | 98½ | 97⅛ | 97⅛ | – ⅛ |
| 90⅛ | 80 | AlaP pf | 8.10 | 9.9 | | 360 | 96⅛ | 90⅛ | 28⅝ | + ⅛ |
| 36¼ | 10½ | AlaP pf | 8.28 | 0.7 | | z20 | 85 | 65 | 85 | – ½ |
| 28 | 17⅝ | AlskAir | .20 | .7 | 9 | 1202 | 27⅛ | 18⅛ | 27⅛ | + ⅛ |
| 22⅛ | 14⅛ | Albnyln | .30 | 1.4 | 14 | 30 | 21⅛ | 21½ | 21½ | |
| 47⅞ | 30½ | Alberto | .36 | .8 | 21 | 23 | 46½ | 45⅞ | 45 | – ⅛ |
| 37⅞ | 23 | AlbCulA | .60 | 1.8 | 16 | 47 | 36⅛ | 36⅛ | 36⅛ | + ⅝ |
| 51⅛ | 29 | Albtsn | .80 | 1.6 | 36 | 663 | u52⅛ | 51⅛ | 51⅛ | – ⅛ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |




Continued on Page 31

FINANCIAL TIMES MONDAY JULY 31 1989 31

# NYSE COMPOSITE PRICES

Continued from previous Page

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 7-16 | 7-64 | Regal | | | | 65 | 3-16 | 5-32 | 5-32 | |
| 8½ | 5⅞ | RegIFn | .25e | 3.0 | | 131 | 8½ | 8⅜ | 8⅜ | |
| 15¾ | 12½ | ReichTg | 1.76 | 12. | 8 | 27 | 14⅝ | 14¼ | 14¼ | + ⅛ |
| 7⅛ | 4¾ | RelGrp | .32 | 4.7 | 14 | 317 | 7⅛ | 6⅞ | 6⅞ | − ⅛ |
| 19¾ | 16¾ | Repsol n | | | | 535 | 19⅝ | 19⅜ | 19⅝ | + ⅛ |
| 5⅝ | 4¾ | RepGyp | .20 | 3.7 | 22 | 65 | 5⅝ | 5⅜ | 5⅜ | |
| 50⅛ | 41 | RepNY | 1.28 | 2.6 | 10 | 43 | 49 | 48½ | 48⅝ | |
| 13⅞ | 6¼ | Revco | | | | | | | | |
| 32⅞ | 18¼ | ReyRey | .76 | 2.9 | 9 | 80 | 26 | 25⅞ | 25⅞ | − ⅛ |
| 62¼ | 47¼ | ReyMt | 1.80 | 3.1 | 6 | 3547 | 59⅛ | 80⅝ | 82⅛ | + 1⅝ |
| 40½ | 29¼ | RiteAid | .62 | 2.0 | 17 | 665 | 40⅝ | 40 | 40¼ | + ⅛ |
| ⅞ | 3-16 | RvrOak | | | | 45 | 7-32 | 3-16 | 7-32 | |
| 16 | 8⅝ | Robtsn | | | | 45 | 18 | 11⅞ | 17⅞ | |
| 33 | 21⅞ | vjRobins | | | 14 | 395 | 33 | 32½ | 32⅞ | + ⅛ |
| 21⅝ | 16½ | RochG | 1.60 | 7.8 | 17 | 218 | 20⅝ | 20¼ | 20½ | |
| 75¾ | 40¼ | RochTl | 2.04 | 3.6 | 16 | 350 | u79⅞ | 75¾ | 79⅞ | + 3⅝ |
| 20⅝ | 16½ | RckCtr | 1.64 | 8.4 | 17 | 290 | 19⅝ | 19½ | 19½ | − ⅛ |
| 23½ | 18⅝ | Rockwl | .76 | 8.5 | 7 | 2319 | 22⅞ | 22⅝ | 22½ | − ⅜ |
| 9⅝ | 4⅞ | RodRen | | | | 3 | 5 | 5⅞ | 5⅞ | − ⅛ |
| 37½ | 30¾ | RoHaas | 1.20 | 3.6 | 10 | 706 | 33⅝ | 33 | 33⅛ | − ⅛ |
| 37⅞ | 25⅝ | Rohr | | | 19 | 553 | 26 | 20⅝ | 30⅝ | − ¼ |
| 15⅞ | 9 | RollnE s | .08 | .8 | 30 | 7085 | 11 | 10 | 10⅝ | − ⅛ |
| 21 | 13⅞ | Rollins | .54 | 2.9 | 19 | 245 | 18⅝ | 19 | 18⅝ | + ⅛ |
| 45¼ | 33⅝ | Rorer | .80 | 1.9 | 20 | 4536 | 41⅞ | 41⅛ | 41½ | + ⅛ |

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 60 | 51⅛ | Xerox | 3 | 4.4 | 12 | 5112 | 67⅝ | 67⅛ | 67⅝ | + ⅛ |
| 49¼ | 44½ | Xerox pf | 4.13 | 8.7 | | 11 | 47½ | 47½ | 47½ | + ½ |
| 44¼ | 23⅛ | XTRA | .72 | 2.4 | 13 | 281 | 30⅝ | 30½ | 30½ | − ⅛ |
| 4⅛ | 2 | Zapata | | | | 715 | 3⅜ | 3½ | 3⅝ | |
| 16⅞ | 10½ | Zayre | .40 | 3.6 | 125 | 3 | 11⅝ | 11½ | 11½ | |
| 24½ | 15½ | ZenithE | | | | 1544 | 17⅝ | 17⅛ | 17⅜ | − ⅛ |
| 10⅜ | 8¾ | Zenlac | 1.28 | 14. | | 102 | 9⅛ | 9⅛ | 9⅛ | − ⅛ |
| 2⅜ | 1⅛ | vjZenLb | | | | 282 | 1⅛ | 1⅛ | 1⅛ | |
| 21¼ | 15 | ZenNtl | .84 | 4.3 | 9 | 68 | 18½ | 19¼ | 19½ | |
| 22⅝ | 14¾ | Zero | .50 | 2.4 | 19 | 68 | 21⅛ | 21 | 21⅛ | + ⅛ |
| 42⅛ | 21 | Zurich | .68 | 1.8 | 21 | 297 | 42⅜ | 42⅛ | 42⅛ | − ⅛ |
| 11⅞ | 16 | Zweig | 1.09e | 6.3 | | 714 | u12 | 17⅛ | 11⅞ | + ⅛ |
| 10⅛ | 6⅛ | Zweig n | .88 | 10. | | 1355 | 9⅝ | 9½ | 9⅝ | |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

# AMEX COMPOSITE PRICES

4pm prices July 28

# OVER-THE-COUNTER

Nasdaq national market, 4pm prices July 28

| Stock | Div. | | Sales 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| WhelTch | | 26 | 1177 | 51⅞ | 31⅛ | 31½ | + ⅛ |
| Whlclub | | 26 | 219 | 13 | 12⅝ | 12⅞ | + ¼ |
| WilyJ A | 1.18 | 82 | 9 | 28 | 59 | 29 | |
| Willamt | 1.40 | 7 | 575 | 46½ | 45⅛ | 46⅛ | + ⅛ |
| WlmTr | 1.24 | 13 | 121 | 43½ | 42½ | 43⅛ | + ⅛ |
| WiserO | .40 | 58 | 38 | 16⅞ | 16⅛ | 16½ | − ⅛ |
| Wolohn | .28 | 9 | 31 | 16½ | 16 | 16⅛ | + ⅛ |
| WlwEx s | | | 1275 | 6⅞ | 6⅝ | 6⅛ | − ⅛ |
| Worthg | .48 | 16 | 223 | 29⅞ | 29⅛ | 29½ | − ⅛ |
| Wyman | .80 | 09 | 341 | 19 | 18½ | 18⅛ | − ⅛ |
| −X−Y−Z− | | | | | | | |
| XL Dta s | | 20 | 350 | 23½ | 23 | 23⅛ | + ⅛ |
| XOMA | | | 595 | 16½ | 16⅛ | 16½ | |
| Xicor | | 9 | 1245 | 6⅞ | 6⅛ | 6⅞ | |
| YelowF | .16 | 10 | 1123 | 27 | 24⅛ | 26⅛ | − ⅛ |
| ZionUt | 1.44 | | 174 | u27⅛ | 25⅛ | 27 | + ½ |
| Zycad | | | 2182 | 2⅞ | 2⅜ | 2⅛ | + ⅛ |

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FINANCIAL TIMES — novotel

## The Business Column

# A Japanese success the statistics conceal

Japan'e national effort to build up skills has been a crucial part of its competitive challenge to western industrialised economies. It is widely assumed this should be reflected in high levels of expenditure by Government and employers.

Yet as a new book* on the Japanese training system shows, Japan would be some way from the top of an international league table of training spending.

A recent survey by the Japanese Ministry of Labour found that, on average, companiee spent £5 per employee per month on training, about 0.3 per cent of total remuneration. Mnch more was epent on sports and leisure.

In terms of turnover, training spending averaged 0.07 per cent. This is less than half the amount spent by British companies, according to a 1985 estimate by the then Manpower Services Commission, which set off a beated debate.

Employers' contribntlons amonnt to abont £4bn, well below 1 per cent of gross national product, compared with a recent official estimate for UK employers' spending of £5.5bn or 1.85 per cent of GNP.

Why is lt tbat Japanese employers can spend so mnch less than their British counterparts but produce much more effective training?

Part of the answer lies in the intensive Japanese edncation system. The most striking difference between the attainments of British and Japanese is in higher qualifications in reading, wrlting and mathematics of Japanese children in the bottom half of the ability range. Partly as a result, Japan's real comparative skills advantage lies in the high attainment levels of the middle mass of workers at intermediate skill levels.

## An arm's-length relationship

British companies are busily establishing formal links with universities and polytechnics to inflnence cnrricnlnm design. Japanese industry has an arm's-length relationship with universities. Nevertheless 37 per cent of male recruits into manufacturing come from university. Six ont of ten come from science departments.

The duty of children to clean their classroome is transformed in employment into a culture of continnous improvement. Although Japanese factories are generally more modern and productive than UK plants, the ruling assumption is more likely to be: "We've still a long way to go."

This moral dnty to strive and improve may be virtually impossible to replicate. Bnt that does not mean British employers could not learn from some of the things their Japanese counterparts do.

Much company training is carried out throngb eimple correspondence courses which workers take in their spare time. In one well-etocked Tokyo bookshop there are 93 different, slim, cheap, brightly coloured books on quality control all aimed at worried supervisors and team leaders.

The lifetime employment and seniority promotion system creates an obligation on older workers to teach their juniors. People who go on courses are expected to teach colleagues what they learnt.

Many Japanese companies have only a vague idea of how mnch they spend on training. Yet this does not mean that training is not systematic. Nihon Denso, the vehicle components manufacturer has 219 internal tests to cover the range of skills used in its factories. Each test is set by a review committee which meets once a year to update the questions.

The central lesson is this. Japanese tralning departments do not provide training courses as if they were packs of pills to cure an illness. In large part their role is to promote an individual and collective drive to learn, often through simple, inexpensive, traditional pedagogic techniques. Sophisticated, interactive video-training packages and expensive courses in special training centres are only part of the solntlon to Britain'e lethargic training system.

Charles Leadbeater

*How the Japanese learn to work, By Ronald P. Dore and Mari Sako, pubd by Routledge.

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*THE MONDAY INTERVIEW*

# Fleshing out a new identity

**John Wyles** talks to Achille Occhetto, leader of Italy's Communist Party

As Mrs Thatcher freqnently testifies after an exchange with President Gorbachev, conversations with communists are rather bracing experiences these days. All those years of soaking up Marx inevitably leave a trace, so the interlocutor occasionally has to grapple with the concept of "social contradictions" or wrestle to the ground "the capitalist model of development." But increasingly, we see growing ranks of east European communists acknowledging the problems their system cannot solve, and startlingly ready to consider unorthodox "capitalist" solutions.

All of which is a source of both satisfaction and anxiety to an Italian communist like Achille Occhetto. He and his colleagues bave been saying for years that the Soviet system was no kind of model to follow, and that the market had some useful solutions to offer to national and international economic problems. But after a year as leader of western Europe's largest Commnnist Party, the Partito Communista Italiano (PCI), Mr Occhetto is still struggling to establish an identity which protects the PCI from being politically contaminated by the bankruptcy of "real socialism," as the Soviet/eastern European blend is somewhat confusingly known in Italy.

For more than 30 years, the PCI has offered one of the most thrilling political higb wire acts in Europe, jettisoning Marxist-Leninism and the class struggle and, anxious to bolster its domestic electoral position, steadily moving away from Moscow in the 1960s and 1970s before opting for a complete rupture after the Soviet invasion of Afghanistan. Only a fraction of the ensuing internal pain and disruption surfaced publicly, for the PCI until recently retained most of the centralised characteristics of a Leninist party, including a strong disapproval of internal factions and pnblic dissent.

The PCI is still not a party given to public rows like the Christian Democrats, but the "new path" down which Mr Occhetto is trying to lead does allow for freer internal debate. "This party no longer takes any reference from the international communist movement – rather it is putting together liberty and democracy as fundamental ideals," he says.

Mr Occhetto's election last year as PCI leader was the clearest possible acceptance by the party that breaking with Moscow was not enough to halt the electoral slide which in 1987 took it down to its lowest sbare of the vote – 26.6 per cent – since 1963. Now 51, many see his arrival at the top as a natural progression for the irreverent leader of the Young Communists of the 1960s, often critical of the party's ruling group with a waspish humour which inflicted enduring soreness on some of its objects.

When Enrico Berlinguer, the immensely popular PCI secretary, sent him to Palermo in 1969, it seemed to many that he was being sent into exile. He now looks on his six years in Sicily as a shrewd piece of career planning by the late Mr Berlinguer. "He said he had confidence in me and with this sort of experience I could become a leader of the party."

A elight, stocky man with a generous, greying moustsche, he has perhaps surrendered too much to the public solemnity of Italian political life, for he still enjoys a joke in the privacy of his wood-panelled office at the PCI's Rome headquarters. One that has been brightly polished in the telling over the years explains his early political involvement with the catholic left – a relationship based mostly, he says, on the fact that "I wanted to play football with them."

The origins of his catholicism – a condition from which he has long recovered – owe a great deal to that wartime alliance between the communist and catholic resistances to Mussolini's fascism and German occupation. The Occhetto home in Turin was no working-class citadel to Marxism, but more a repository of liberal-professional valnes. When his father Adolfo joined the resistance after being repatriated from Albania because of wounds, the family home became a base for the "Christian Left" of the resistance. After the war, Adolfo formally joined the PCI after the Catholic church excommunicated all communists. Achille enrolled in the Young Communists in 1953.

"I had breathed the air of the war of liberation and had had contacts with communists. Above all, I greatly appreciated the values of the October Revolution, which demonstrated man'e capacity for liberation." Mr Occhetto and his generation contested the uncritical view of Stalinism which prevailed until the late 1950s and took as its point of reference the writings of Antonio Gramsci, who died a martyr'e death in a fascist prison.

Variously interpreted as both a Stalinist and embryonic social democrat, Gramsci has become the party'e preferred theologian over both Marx and Lenin and also the source of much of its ambiguity and fuzzy identity. Is the party not more than a little confused if it embraces tbe EC and Nato, sails steadily towards the western, democratic, socialist tradition, but still retains the Communist name?

Mr Occhetto is adamant that a name change would deny the validity of the party's history. He saye "it is just polemics" when others point out that in addition to the glorious wartime resistance, the name carries with it the long association with Stalinism of Palmiro Togliatti, the PCI's founder, and, at tbe time, a solid defence of the bloody Soviet repression of Hungary in 1956.

It is hard to believe that the name is not a political albatross, particularly as more evidence emerges about the unpopularity of the ruling communist parties of eastern Europe. Election results this decade suggest that Italians have either not been listening, or do not believe, that the PCI is a Communist Party with a difference: wedded to democracy, the market and all of the other bulwarks of western prosperity and self-regard.

Mr Occhetto bellevee the more that the PCI wins acceptance from social democratic parties in France, Spain and West Germany – it has made considerable strides under his leadership – the more difficult it will be for the Italian socialists to refuse a closer relationship. In the end, he insists, this must be a choice in favour of a "progressive" line-np which requires the socialists to abort their long-standing coalition alliance with the "conservative" Christian Democrats.

Collaboration with the Christian Democrats has also been part of the PCI'e recent past. To mark the break with such "aesociation politics," Mr Occhetto has sharpened the party's profile as the main parliamentary oppoeition by appointing Italy's first "shadow government." He wants a change in the rules of the game through "an electoral reform which gives the citizen the chance of choosing a government," instead of the present system which spawns governments through post-election bargaining.

Yet the question continues to nag; what sort of alternative government is the PCI offering? At the moment, Mr Occhetto'e answer is dominated more by snch rotund phrases ench as "democracy guided by socialist ideals" than clear policy positions.

"The party is trying to respond to the contradictions of a modern society on the basis of socialist, democratic values," Mr Occhetto insists. The problems of industrialisation which bred the 19th-century working-class movement have, he says, changed into the "contradictions of north-south inequalities, of changing relationships between men and women and of the environment." It is through issues such as these that the PCI is trying to develop a new critique of capitalist society in a process of "searching for something new on the left rather than defending a closed dogmatic tradition," he adds.

He affirms that the PCI is seeking to call into question not only the traditional commnnist system, but also the western capitalist model. The weakness of both is that they are based on industries which are doing "great environmental damage." "The answer is not to overturn society but to instal a new model of development in which private activities, co-operative and public power live together to favour the public interest, both from the social point of view and that of producing sustainable growth."

He says that he would not alter tbe present balance between the public and private sectors in Italy but he would improve it by redistributing resources and power so as to curb oligopoly and concentration and to guarantee better possibilities of growth to small- and medium-sized companies.

Just because "bureancratic collectlvism" has failed, he says, it does not mean that the alternative has to be "neo-liberalism and a society like this one." He is convinced that the withdrawal of the state leads to "social Darwinism," greater injustice ann "the violence of tbe strong over the weak, which is a tremendous violence."

Mr Occhetto's shadow government exerclse is partly designed to force the PCI to put policy clothing on such generalities. In the meantime, he can just begin to hope that tbe PCI's electoral slide has bottomed out – it clawed back to 27.6 per cent in the European electlons – despite attempts by tbe governing coalition to exploit events in Peklng whlcb, says Mr Occhetto, "was not a challenge to our history, but to our present by parties which don't want a democratic opposition but a suffocating regime."

### PERSONAL FILE

| | |
|---|---|
| 1936 | Born, Turin |
| 1953 | Joins PCI and Young Communists Federation |
| 1962 | National secretary of Young Communists |
| 1969 | Secretary of PCI Palermo and then regional secretary for Sicily |
| 1976 | Returns to Rome and holds succession of party posts |
| 1987 | Deputy leader of PCI |
| 1988 | Secretary general of PCI |

**'Searching for something new on the left'**

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# The threat facing an apolitical convention

JUSTINIAN

THE LEGAL year which comes to an end today will rank as the most memorable in the contemporary life of the legal profeseion. The conflict between the judiciary and the Executive over reform of the provisions of legal services possessed the unique element of constitutional confusion inherent in the role and functions of the Lord Chancellor.

It was barely credible that senior jndges (notably the Lord Chief Justice) should publicly denounce the main Green Paper published at the end of January as a sinister document. The one-day debate in the House of Lords was a truly remarkable spectacle, televised for public consumption, of outraged expostulation by a bevy of judges.

The same senior judges are currently saying in private that the White Paper, with its modified proposals, for controlling the licensing of advocates, is not mnch less sinister. The debate over the Government's proposals will move in the antumn on to the parliamentary stage where the battle will be renewed.

## Muted

There is a powerful constitutional convention that judges do not become involved in political debate. While the Law Lords and other senior judges are members of the House of Lords, they sit invariably on the cross benches and do not ordinarily take part in the legislative work of the House as party supporters or opponents, their voices in the past have been strictly muted, and then only to be heard on questions of pure law reform.

The convention is not likely to eurvive in its unsullied form when the issue at stake is perceived as a threat to the independence of the jndiciary. What has translated a harmonious relationship between the Lord Chancellor and the judges into direct hostility ?

The Lord Chancellor, who is appointed by the Prime Minister and is a member of the Cabinet, thereby becomes a politician eupporting the party in office. He has normally been in politics. Unusually the present Lord Chancellor disclosed no political affiliation before he was plucked from the head of the Scottisb Bar in 1979 to become Lord Advocate. But whatever his political partisanship the jndges have always regarded the Lord Chancellor as their protector against public criticism and political intrusion into their independence.

While the judges under Lord Mackay's new guidelines possess greater freedom to speak publicly than in the past, the constraints on jndicial response to criticism are still operative. When last April the jndges were accused in the press of taking industrial action in arranging originally to meet en masse on a court working day to consider their reply to Green Papers, there was no public statement from the judges, although the sense of ontrage was barely kept under wraps.

Instead, a little belatedly, the Lord Chancellor stepped in to announce publicly that the judges were acting with complete propriety. It was an intervention that simply reflected the long-standing tradition that the Lord Chancellor is the judges' spokesman.

One outcrop of that unfortunate incident has been a call from the Lord Chief Justice that the unofficial Council of Judges should be put on a statutory basis. Such a body did in fact exist from 1875 until it was abolished by the Supreme Court Act 1981. It was abolished because it had rarely met and had not in the last 20 years reported annually to the Lord Chancellor as it was legally bound to do.

When, therefore, that role of public protector was transformed overnight into one of advocate for the pnblic consumer of legal services and justice, the judges felt burt, even betrayed. How could the head of the jndiciary turn away from his traditional protective role and become the tool of the government unfeelingly committed to ending restrictive practices wherever they were seen to be operating against public interest.

Somehow the Lord Chancellor'e responsibility for the traditional system was being relegated to a position inferior to the political system. All High Court and circuit court judges are appointed by the Crown on the direct advice of the Lord Chancellor, who informally advises the Prime Minister, who in turn advises the Crown on the senior jndicial appointments.

In the past it has been generally thought that only rarely did a Prime Minister not act upon the Lord Chancellor'e choice of Lord Chief Justice or Master of the Rolls. The recent experience of political influence over matters within the judicial field will lead to a clamoor for a Judicial Service Commission to insulate future judicial appointments from executive control.

## Entrusted

As and when tbe Lord Chancellor's proposals for reform of the legal profession find their way on to the statute book – as undoubtedly they will – a serious debate about the office of Lord Chancellor will take place. At present the Lord Chancellor is entrusted with only some of the duties carried out by a Minister of Justice in the European systems. Notable exceptions from the work of the Lord Chancellor's Department are the police, the criminal justice system and the prison service.

If the White Paper had emanated from a Ministry of Justice the battle lines between executive and judiciary would have been the more clearly drawn. The desire for change in the legal profession would have been seen for its political colouring. The proposal came, however, from a figure not overtly political and traditionally acting alongside the judiciary. Given the new public climate, the proposals have been judged less objectively and more emotionally than should have been the response from those directly affected – the judges.

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